

## Role of Trust and Customer Satisfaction as a Mediation Effect of Human Resource Competence on Customer Loyalty (Study on Commercial Customer BCA Kanwil VII Malang)

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### Abstract

Increasing competition in the banking services business make the customer's demands growing. So that competent human resources are needed to keep customers loyal. This study aims to analyze and explain the role of trust and customer satisfaction as a mediator of the influence of human resource competence on customer loyalty. The research population is BCA Kanwil VII's commercial customers in Malang. Samples of 100 customers using probability sampling method. Data collection techniques with questionnaires and interviews. Analysis method used SEM (Structural Equation Modeling) with SmartPLS program (Partial Least Square) version 2.0. The research findings show that the competence of human resources has a positive and significant impact on customer loyalty directly or with trust as the mediation variable. However, the effect of using satisfaction as a mediation variable is not significant. This is because a high customer's variety seeking range that is found from more in-depth interviews with customers. Under these conditions, BCA must accommodate all customers' interests in order to be fulfilled with one bank. Given the role of human resource competence is very significant to customer loyalty then the competence should be periodically evaluated in order to remain able to follow the increasing demands of customers along with the influence of globalization.

**Keywords:** human resources competency, trust, customer satisfaction, customer loyalty

### INTRODUCTION

In the era of globalization, business competition is getting tougher for all industry sectors. One thing is the same in the various attempts by companies to win the competition, namely the need for funding either from own capital or bank loans. This shows the role of banks in advancing the economy of a country is very large.

The main function of banks as collectors and distributors of public funds and aims to support the implementation of national development in order to improve the distribution of development and its results, economic growth and national stability, towards improving people's lives. Recapitulation data of banking institutions in Indonesia [1] shows how tight banking competition is. The number of existing commercial banks from 118 banks in the month. May 2016 fell to 115 banks in May 2017 due to consolidation of several banks. The Financial Services Authority (OJK) expects after the consolidation of the banking industry to be more efficient and have strong capital.

Increasing competition in the banking services business is seen from customers who no longer only need quality products at affordable prices, but customers also want to be treated and served well to be satisfied when they buy banking products or services. Customers have many options so that loyalty levels are difficult to achieve. Each bank has its own strategy to retain its customers because the cost of maintaining existing customers is cheaper than finding new customers. This is in line with those of [2] that customer loyalty can reduce costs and increase profits. The phenomenon that occurred from mid-2016 ago and still continues until now, some banks offer lending rates below the standards applicable to take over customers of other banks. However, not all banks follow the phenomenon and one bank that does not follow the interest rate war is BCA. In such condition, BCA customers are still loyal and do not move to other banks. In such interbank competition, competence of human resources is required.

If information technology and products can be imitated, it is not the case with human resources. With good human resource management, companies will have competitive strength and will become difficult to imitate. Customers in addition to financial transactions while in the bank, they need solutions in the field of business, savings, loans or investment and

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protection. This activity can not be replaced by the machine and is dependent on the competence of its human resources, both from the customer service line, account officer, to the management board.

In their research [3] found that the quality of employees is an important element in the effort to obtain loyal customers through satisfaction and trust. But no testing whether the human element or human resource competence directly affects customer loyalty without the mediation of trust and customer satisfaction.

It is interesting to be further explored because in practice in the banking business is found although there are customers who are not satisfied because the interest on the loan has not been as expected and when calculated with switching costs remain profitable to move the bank turns out the customer did not move the bank. One of the reasons is good relationships with employees. This is in contrast to [4] that sometimes customers feel dissatisfied but remain loyal due to high switching costs.

Result of analysis [5] how that competence of human resource have positive and significant influence to customer loyalty. In contrast to two previous studies, [6] study completed both previous studies. In addition to testing the influence of competence of human resources to customer loyalty with customer satisfaction mediation, also conducted research without mediation customer satisfaction. The results of the study mentioned that without any mediation of customer satisfaction, the results obtained show the competence of human resources has no significant effect on customer loyalty. However, by including customer satisfaction as a mediation variable, the competence of human resources has a dominant influence over other variables.

The results of research conducted by Supriyono with significant results and Gunawan with no significant results indicate the inconsistency of the influence of human resource competence on customer loyalty directly. Based on it still found a gap that needs to be studied and tested (research gap) about the influence of competence of human resources to customer loyalty.

The selection of research is conducted on BCA customers because BCA is committed to developing human resources as an important asset in supporting strategic implementation effectively while providing the best service for customers to maintain customer loyalty. BCA has

always built a strong foundation, one of its aspects of building, maintaining and developing human resource competencies, to fit current business challenges. In order to meet the increasingly diverse needs of customers, BCA also split the marketing spearhead into three categories: 1) Branch Account Officer, placement at Main Branch Offices (KCU), handling customers with loan limit up to Rp 15 billion, 2) Account Officer SBK (Commercial Business Center), placement in Regional Offices (Kanwil), handles customers with loan ceiling above Rp 15 billion up to Rp 500 billion, and 3) Corporate Relationship Group, Head Office Placement, handles customer with loan limit above Rp 500 billion. This study will examine the role of trust and customer satisfaction as a mediator of the influence of human resource competence on customer loyalty, especially on commercial customers of BCA Kanwil VII Malang.

Problems in this study begins with differences in the results of studies on the direct impact of human resource competence on customer loyalty, as well as the role of trust and customer satisfaction as a mediation influence the competence of human resources to customer loyalty. This study aims to analyze and explain the formulation of the problem by testing empirically and explain:

1. Effect of human resource competence on customer loyalty
2. The influence of customer trust on customer satisfaction
3. The influence of customer satisfaction on customer loyalty
4. The influence of customer trust on customer loyalty
5. Effect of human resource competence on customer loyalty with customer satisfaction as mediation
6. Effect of human resource competence on customer loyalty with customer trust as mediation

## **MATERIAL AND METHOD**

The approach used in this study is a quantitative approach that emphasizes the testing of theory or concepts through the measurement of numerical variables according to data analysis procedures and statistical tools to measure and test the hypothesis. The data were obtained from survey results to obtain information from a predetermined population [7] The statistical test results are used to explain the position of the variables studied and predict the

interrelationship between variables. Techniques used in statistical data processing using Smart PLS version 2.0 .. Selection of PLS method because: 1) More flexible for respondents who tend to be small and 2) More protects data that tends to fluctuate.. 3) Can be used for structural modeling with reflective and formative indicators. The research was conducted at Kanwil VII Malang, covering: city in Southern part of East Java. Duration of study required two months.

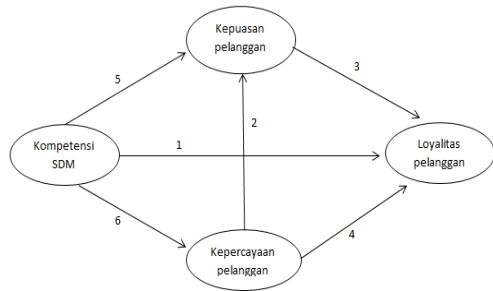


Figure 1.1 Conceptual Research Framework Data Collection (Calibri 10 Bold, Left)

This study uses primary and secondary data. Primary data obtained directly by conducting a survey and distributing questionnaires and interviews of respondents based on the questionnaire to clarify the statement so as to obtain a good and correct answer, which aims to determine the responses of respondents about the variable competence account officer, and see the trust and satisfaction of customers as mediation to the loyalty of commercial customers BCA Kanwil VII Malang. The questionnaire contains a number of statements prepared based on the results of theoretical and empirical studies and information when pre-research is done. After the instrument of this research is prepared, firstly evaluate the sentence, structure and content validity of each statement through discussion with 2 commercial customers who are categorized loyal in order to provide input according to the point of view / perception from the customer side. In this stage, some improvements to the content of the statements in the research instrument are also made. Collecting primary data from 100 respondents by filling out questionnaires or direct interviews to the respondents who will be used as research samples.

Measurement of data in this study using Likert Scale with a scale range of 1 to 5. Guidelines for measurement of all variables is to use 5 points Likert Scale, where if there is an answer with low weight then given score 1 (one)

and so on so the answer the highest weight given score of 5 (five). Category of each answer with the following criteria: 1) Strongly disagree, 2) Disagree, 3) Neutral, 4) Agree and 5) Strongly agree.

RESULT AND DISCUSSION

Table 1.1 Respondent Characteristics

Characteristics	Frequency (%)
Gender	
Man	75.0%
Women	25.0%
Age	
≤ 25 years	4.0%
26-35 years old	17.0%
36 - 45 years	30.0%
46 - 55 years	23.0%
> 55 years old	26.0%
Education	
SMP	1.0%
SMA	28.0%
S1	64.0%
S2	7.0%
Long Be a Customer	
<7 years	25.0%
7 - 16 years	37.0%
17 - 26 years	26.0%
> 27 years old	12.0%

Source: primary data processed in 2017

Instrument Validity Testing

Table 1.2 Validity Test Results

Variables	Item	Coefficient of Validity	Cut Off	Information
Human Resources Competencies	KSDM 1	0.712	0.361	Valid
	KSDM 2	0.867	0.361	Valid
	KSDM 3	0.718	0.361	Valid
	KSDM 4	0.769	0.361	Valid
	KSDM 5	0.886	0.361	Valid
	KSDM 6	0.832	0.361	Valid
Customer trust	KPC 1	0.754	0.361	Valid
	KPC 2	0.699	0.361	Valid
	KPC 3	0.689	0.361	Valid
	KPC 4	0.764	0.361	Valid
Customer satisfaction	KPS 1	0.699	0.361	Valid
	KPS 2	0.792	0.361	Valid
	KPS 3	0.758	0.361	Valid
	KPS 4	0.774	0.361	Valid
Customer loyalty	LP 1	0.673	0.361	Valid
	LP 2	0.802	0.361	Valid
	LP 3	0.721	0.361	Valid
	LP 4	0.865	0.361	Valid

Source: primary data processed in 2017

Instrument validity testing is done by correlating each item score with total score using Pearson Correlation technique (Product Moment). Criteria testing states if the correlation coefficient (r<sub>it</sub>) ≥

table correlation (rtabel) means the item questionnaire is valid or able to measure the variables measured, so it can be used as a data collection tool. Based on the summary of the test results of instrument validity of the research known that all values of item correlation coefficient with total score (riT) > table correlation value (rtabel). Thus all items statement on the questionnaire is declared valid or able to measure these variables, so it can be used as a data collection tool in this study.

satisfaction			
Customer loyalty	0.759	0.6	Reliabel

Source: primary data processed in 2017

Testing instrument reliability is intended to determine the reliability and consistency of research instruments as a tool to measure the variables that measured. Reliability testing using Cronbach's Alpha technique. Criteria testing states if the coefficient Cronbach's Alpha  $\geq 0.6$  means the questionnaire items declared reliable or consistent in measuring variables that measured. Based on a summary of the results of testing instrument reliability of the research note that all variables yield Cronbach's Alpha value  $> 0.6$ . Thus the items that measure these variables are stated reliably or consistently in measuring these variables, so that it can be used as a data collection tool in this study.

**Testing Instrument Reliability**

**Table 1.3 Test Results Reliability**

Variables	Reliability Coefficient	Cut Off	Information
Human Resources Competencies	0.884	0.6	Reliabel
Customer trust	0.701	0.6	Reliabel
Customer	0.746	0.6	Reliabel

**Analisis Partial Least Square (PLS)**



Figure 1.2 Diagram of Research Path

Source: Primary data processed in 2017

Table 1.4 Results Goodness of Fit Model Variabel	R <sup>2</sup>
Customer trust	0.254
Customer satisfaction	0.731
Customer loyalty	0.500
$Q^2 = 1 - (1 - R_1^2) (1 - R_2^2) (1 - R_3^2)$ $Q^2 = 1 - (1 - 0.254) (1 - 0.731) (1 - 0.500) = 0.900$	

Source: primary data processed in 2017

R-square customer trust variable is 0.254 or 25.4%. It can show that the diversity of customer trust is able to be explained by the competence of human resource equal to 25.4%, or in other words the contribution of human resource competence to customer's trust by 25.4%, while the rest equal to 74.6% is the contribution of other variable not discussed in this research.

R-square variable customer satisfaction is worth 0.731 or 73.1%. This can show that the diversity of customer satisfaction can be explained by the competence of human resources and customer trust of 73.1%, or in other words the contribution of human resource competence and customer trust to customer satisfaction of 73.1%, while the rest of 26.9% is the contribution of other variables that are not discussed in this research.

R-square customer loyalty variable is 0.500 or 50.0%. It can show that the diversity of customer loyalty can be explained by the competence of human resources, customer trust, and customer satisfaction by 50.0%, or in other words the contribution of human resource competence, customer trust, and customer satisfaction of 50.0%, while the remaining 50.0% others not discussed in this study.

Furthermore Q-Square predictive relevance (Q<sup>2</sup>) customer loyalty variable is worth 0.900 or 90.0%. This can show that the diversity of customer loyalty is able to be explained by the overall model of 90.0%, or in other words the contribution of human resource competence, customer trust, and overall customer satisfaction to customer loyalty of 90.0%, while the remaining 10.0% is the contribution of other variables which was not discussed in this study.

**Hypothesis Testing Direct Effect**

**Table 1.5 Examination of Effect of Exogenous Variables on Endogen Variables**

Hipotesis	Eksogen	Endogen	Direct Coefficient	SE	T Statistics	Information
Hypothesis 1	Human Resource Competence	Customer Loyalty	0.206	0.081	2.547	Significant
Hypothesis 2	Customer Trust	Customer Satisfaction	0.606	0.041	14.647	Significant
Hypothesis 3	Customer Satisfaction	Customer Loyalty	0.143	0.102	1.402	Not significant
Hypothesis 4	Customer Trust	Customer Loyalty	0.449	0.089	5.054	Significant

Source: primary data processed in 2017

**Indirect Effect Hypothesis Testing**

**Table 1.6 Testing of Influence of Exogenous Variable Variables on Endogen Variables through Variables Mediation**

Hypothesis	Eksogen	Mediasi	Endogen	Indirect Coefficient	SE	T Statistics	Information
Hypothesis 5	Human Resource Competence	Customer satisfaction	Customer Loyalty	0.053	0.039	1.380	Not significant
Hypothesis 6	Human Resource Competence	Customer Trust	Customer Loyalty	0.226	0.054	4.178	Significant

Source: primary data processed in 2017

**Hypothesis 1. Influence of Human Resource Competence to Customer Loyalty**

The influence of HR competence on customer loyalty resulted in t-statistics of 2,547. This shows that  $t\text{-statistics} > t\text{-table}$  (1.96). Therefore, it can be interpreted that there is a positive influence and significant competence of human resources to customer loyalty. This shows that in this study respondents feel that AO SBK Kanwil VII Malang gives attention to the quality and accuracy of work, proactive and initiative, customer-oriented and have empathy. This research is in accordance with the research [8] that the competence of human resources directly and positively affect customer loyalty. Hence hypothesis 1 is fulfilled.

**Hypothesis 2. The Effect of Customer trust on Customer Satisfaction**

The influence of customer trust on customer satisfaction resulted in t-statistics of 14,647. This shows that  $t\text{-statistics} > t\text{-table}$  (1.96). Therefore, it can be interpreted that there is a positive influence and significant customer trust on customer satisfaction. Hence hypothesis 2 is fulfilled. This is in line with [3] research which finds the role of consumer confidence in consumer satisfaction and Bricci et al (2016) research where trust variable brings positive and direct influence to customer satisfaction.

**Hypothesis 3. The Effect of Customer Satisfaction on Customer Loyalty**

The influence of customer satisfaction on customer loyalty resulted in 1,402 t-statistics. This shows that  $t\text{-statistics} < t\text{-table}$  (1.96). Therefore, it can be interpreted there is a positive influence but not significant customer satisfaction to customer loyalty. This is in line with the conditions occurring in BCA where even though customers are less satisfied because BCA's credit interest rate does not follow below the standard as some competing banks do, but the customer remains a BCA customer with the condition also having an account or facility in the bank other. This indicates the existence of high variety seeking, thus hypothesis 3 is not fulfilled. This is in contrast to [6] study indicating that customer satisfaction has a positive and significant direct effect.

**Hypothesis 4. The Effect of customer trust on Customer Loyalty**

The influence of customer trust on customer loyalty resulted in t-statistics of 5.054. This shows that  $t\text{-statistics} > t\text{-table}$  (1.96). so it can be interpreted that there is a significant influence of customer trust on customer loyalty. The study of [9] with exogenous variables of relationship

marketing where one of the indicators is trust. The endogenous variable of customer loyalty. The trust indicator influences long-term relationships that strengthen customer loyalty. Thus, hypothesis 4 is fulfilled.

**Hypothesis 5. Influence of Human Resource Competence to Customer Loyalty mediated by Customer Satisfaction**

The influence of HR competence on customer loyalty through customer satisfaction resulted in 1,380 t-statistics. This shows that  $t\text{-statistics} < t\text{-table}$  (1.96) so that it can be interpreted that there is a positive influence but not significant competence of human resources to customer loyalty through customer satisfaction. [6] shows the result of competence of human resources have dominant influence to customer loyalty when using mediation of customer satisfaction. Thus, hypothesis 5 is not fulfilled. From the whole result of indirect effect hypothesis testing, if through mediation customer satisfaction then there is no significant influence. This happens because of the theory of loyalty, then the customer has a high variety of seeking. Thus in the level of customer loyalty level still entered the level of customers, not yet entered into the client and other higher ladder (advocates and partners). The customer's loyalty is still divided because of all his needs have not been fulfilled by one bank. From the survey results where 27% of respondents chose neutral and 2% chose not to switch to another bank, after discussed with some respondents, only 3 customers have account in 2 other bank besides BCA to fulfill transaction / funding / saving needs. While the rest only have accounts at 1 bank other than BCA.

**Hypothesis 6. The Influence of Human Resources Competence to Customer Loyalty mediated by customer trust**

The influence of human resource competence on customer loyalty through customer trust resulted in t-statistics of 4,178. This shows that  $t\text{-statistics} > t\text{-table}$  (1.96). Therefore, it can be interpreted that there is a significant influence of human resource competence on customer loyalty through customer trust. Thus hypothesis 6 is fulfilled. This is in line with [3] research that proves that human resource competence has a dominant influence on customer loyalty when using customer trust mediation.

**CONCLUSION**

Based on the formulation of the problem, the purpose and discussion in this study about

Customer Loyalty influenced by Human Resources Competence either directly or indirectly through Customer Satisfaction and Trust can be summed up as follows:

1. The human resource competencies seen from the customer's perception include: executing the promised, having the ability to assist the customer, providing assurance so that the customers feel safe in transactions, having the knowledge to answer customer's questions, and having empathy by giving wholehearted attention to the customers as well understand customers' needs. The higher the competence of human resources will increasingly increase customer loyalty.
2. There is a positive influence and significant customer trust on customer satisfaction. This is in line with [3] research which finds the role of consumer confidence in consumer satisfaction and [2] research where trust variable brings positive and direct influence to customer satisfaction.
3. Customer Loyalty other than influenced by Human Resources Competence is also directly affected by Customer Satisfaction and customer trust, although in this case the effect of customer satisfaction is not significant. BCA remains the first in mind in the view of customers, although it has not satisfied some customers in terms of loan interest rates. In this case because BCA builds long-term relationships with its customers. Apparently this is much more important for BCA's commercial customers.
4. The role of Customer Satisfaction and customer trust directly on Customer Loyalty, as well as as a variable mediation between independent variables Competence of HR to the dependent variable Customer Loyalty is very significant for customer trust and not significant for Customer Satisfaction.

#### **SUGGESTIONS**

Based on the results of research and conclusions submitted, it needs improvement and attention, including suggestions submitted are:

1. For commercial customers segment, the result of the research shows that customer trust to bank and supported by competent human resources competence will increase customer loyalty. But for customer satisfaction the impact is not significant to increase customer loyalty. Specific findings on BCA's commercial customers can be used

as reference material for equivalent segments in the research of other bank customers.

2. Commercial customers who remain loyal to BCA despite lower competitors' bank lending rates should keep maintaining BCA more innovative in issuing a variety of loans with special schemes or interest rates that are more attractive to customers, given that only 4% of all borrowers, but the portfolio contribution is 46% of the total loan ceiling.
3. From the results of more in-depth interviews to some respondents who have the ability to provide insert, then in addition to the competence of human resources needed to build loyalty, also required the bank can accommodate the variety seeking so that customers do not need to share loyalty with other banks, among others by issuing products with attributes - attributes that can meet customers' needs.
4. Given the role of human resource competence is very significant to the loyalty of commercial customers who certainly strongly support the company's profit, then training and coaching on human resources must be consistent BCA. Competence at BCA periodically should also be reviewed to keep up with the increasing demands of customers as the impact of globalization.

#### **Research Limitation**

This research is through the steps required in scientific research and through the process of refinement several times, but in this study there are still limitations of research, which can be refined in subsequent research. Limitations in this study are population and sample limited to commercial customers, not representing the entire category of customers in other BCA. For further research it would be better if the population and sample also included Small Medium Enterprise (SME) and Corporate customers.

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