

*Full Length Research Paper*

# The Influence of Credit Quality, Service Quality, and Customer Satisfaction on National Banking Performance (A Survey at Indonesia National Banking)

Stefanus Wiji Suratno

Accepted 29 July, 2015

The purpose of this research is analyzing the quality of national banking credit in Indonesia based on bank Indonesia the assessment criteria: smoothly, in special attention, less smoothly, doubtful and jammed .With the predicate of the end of that is healthy, healthy enough , less healthy and unhealthy .Know the quality of services in domestic banks in Indonesia which includes the tangible, empathy, reliability, responsiveness, and assurance .Know the level of satisfaction of customers include the hope of customers and the performance felt customers in the national banks in Indonesia. Studied the level of influence the quality of credit that includes with the criteria of smoothly, in special attention, less smoothly, doubtful and jammed on the performance of national banking company .With the predicate of the end of that is healthy, healthy enough , less healthy and unhealthy .Studied the level of influence the quality of services which includes the tangible, empathy, reliability, responsiveness and assurance on the performance of national banking company .Knowing the influence of the satisfaction of customers that includes the hope of customers and the performance felt customers the company performance against national banks considers the purpose of study, then this is a descriptive and verificative .Causality is a type of investigation, because due to be tested for relations between variables free and not free. A unit of analysis in this research are dyad, because the customers as respondents and valuation of bank Indonesia .Time horizon is cross sectional in this research, because information from some of the population sample of respondents) collected directly at the scene in an empiric, with the aim to know the opinion of some of the population against the object being researched. The finding in this study is that the quality of commercial bank credit in Indonesia in general lincer with predicate of pretty healthy .The quality of banking services in Indonesia national relatively well, but still doubtful reliability and assurance .Satisfaction national banking customers in Indonesia is still relatively low when compared to banks in Asean countries. Credit quality, the quality of service, and satisfaction customers' proven impact on the company performance banking.

**Keywords:** Credit Quality, Service Quality, Customer Satisfaction, Banking Performance on.

## INTRODUCTION

With banking crisis occurred now customers more careful in keep the money in the bank. They will research and find out whether the bank capital is strong enough or not. Bank Indonesia also required banks must having capital adequacy ratio (car) at least 8 % nonperforming loan) (non-performing loans of the maximum 5 %, as well as giro compulsory minimum (gwm) 5 %. Even now bank Indonesia has given special requirements again about risk management that is covering a risk of credit market risk the risk of liquidity, operational risk legal risk reputation, strategic, risk and risks compliance. And some risk is to be taken into account in the calculation of the level of car of a bank. Means that banks must having capital and management strong.

The promotion, interesting gifts is a trend that is being sought after by the customer in the form of direct prizes, raffle prizes in the form of money or goods. From the point of price, interest rates would be the phenomenon of attraction between a bank with one another to win the hearts of customers and prospective customers. From the corner of the place, the comfort and speed of transactions both in terms of the location of the building, the number of branches, as well as facilities inside and outside the building was also a factor in the selection of a bank by the customer. More of that security is the main factor that is required by the customer to entrust his money deposited in a bank, of course, the quality of the owner and the management company to manage it well is a requirement that must be met by the bank.

While based on the process of his Ministry, State of the world that are increasingly efficient, fast, high-tech, the right bank and the service is fast becoming the main requirement to become a very favored by bank customers. Provision of information, the right transaction service and fast will determine the level of customer loyalty to its bank. Speed not only manually performed by officers of the front office like a teller, customer service officer, marketing officer, accounts officer, telephone operator, back office, as well as security officers but also the service is computerized in the form of CASH and E-Banking.

Customers will be pleased if all banking transactions both the withdrawal of cash , transfer payments , the payment can be done through e-banking or online system to customers in the office to avoid crime increasingly rampant. After day bank that can give services interesting and innovative will very quickly got the number of customers who very large and certainly will be influential in the company performance.

If the quality of services provided low as the impact of poor quality of credit , it will be led to dissatisfaction customers , and if the borrowers are not satisfied will result in the performance of national banking company in Indonesia declined, and if these conditions were prolonged , then it is feared will happen of bankruptcy

Because it is very important to study the influence of the quality of credit, the quality of service to the satisfaction of customers and its implications on the performance of national banking company.

## THEORETICAL BACKGROUND

Bank Indonesia the central bank set the assessment criteria bank with 5 element capital namely (capital adequacy ratio), productive assets (non performing loan), rent ability (return on assets ROA / and return on equity roe /), liquidity (loan to deposit ratio) and efficiency ( the costs of surgery / operating earnings and net interest margin nim /).

The need for capital bank according to Wilson, jsg (1988) are 1) protect the owner of funds and maintain trust .2) to cover operational risks that could happen .3) Remove the non-performing assets where borrowers cannot pay the debt at the time that has been determined .4). A source of funds introduction .Based on the above , two major function of capital: (1) .In infrastructure financing. (2) protect customers from losses that might happen .The function of the two closely related to public trust.

The CAR for variables affecting the profitability based on research Burke (1989) and Iyod-William at all. In this formula to share with all of the assets that is considered to contain risks or commonly called assets weighted according to risk (ATMR). Approach using formulas capital asset ratio (CAR) with wear point balance on the balance sheet (commonly) should be conducted by the World Bank. The ratio is conventionally being higher than capital adequacy ratio and the numbers off balance sheet not computable. Although the formula it contains weakness because they cannot calculate the risk of an asset in the balance sheet and outside the administration, - but it is difficult to know the capital adequacy ratio adequate capital adequacy ratio (just) are then used in the calculation of the capital.

Stravros Peristiani , senior economist the federal reserve bank of New York (1997 said the indicators used to measure performance is return on assets ROA) (and operational costs .As variable free used 16 among other variables include: change the ratio of deposit , to change the ratio of credit assets , the growth of total deposits , bank employees , market share and others.

According to Hesti Werdaningtyas (2002). Capital and risks are things that cannot be separated. Capital can protect various forms of risk, risk capital adequacy, for example credit risk, etc.The income that fluctuates, capital their obligations. Required capital ratio high as when there is increased risk, a decrease in income, and profitability increased corporate revenues and swings opened risk without facilities are tough.

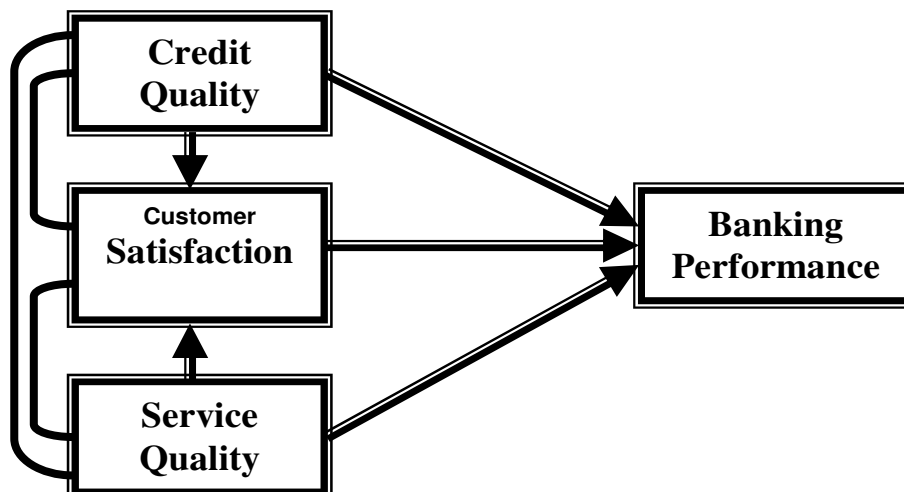


Figure 1 Model Proposed

The determination of the CAR as the control variables that affects profitability based to do with the level of risk the bank. The high the ratio of capital can protect depositors that might improve the trust of the bank customers. With the determination of the CAR at a certain level is meant to make the banks have its capital sufficient to reduce risk the possibility of the emergence of signs of developing as a result of increased expansion assets especially any assets that are categorized can provide the results and as well as carry the risk. Of a bank is said to liquid form if banks can to fulfill his obligations, can pay back all their deposit, and meet all the credit demand that was submitted by without hap postponement. Estimate's demand for liquidity influenced as by behavior of the withdrawal of customers to its nature and kind a source of funds managed by the bank. One such measure to calculate bank liquidity is use ldr namely how big bank funds released to credit. Provisions bank Indonesia regarding ldr which is that of the ratio of 80 % to 110 %.

Berger and Master (1997, the performance of an enterprise is a multidimensional structure .Financial components as the ability of derive profit , the quality of assets productive measured by the ratio of the financial as well as the influence the ability to maintain a relationship with customers , the level of service delivery and the image of the company. Gumesson (1993) and Nachum (1999), said issue critical in performance indicators are services of the organization and use financial report published is a kind of performance in a quantitative manner.

While frazier and Howell (1983) use financial parameters such as return on sales , return on assets , return on net worth planning a strategy to understand the marketing of products companies with the basis of the segment, business operational group customers and

other variables .Gupta and Huefner (1972) the use of financial performance to industry studies elementary basic characteristics , namely the use of objective measure as the total income , net profit and loss .Voss and voss (2000 to study of the association of clean) strategic orientation and the performance of entertainment company.

Athanassopoulos (1999) consider two stages a model for the measurement of the efficiency of the bank where a source of customer service is used as a reflection of the bank financial performance and customer service delivery mechanism of financial performance as a measure of time.

The banking sector in the country during the crisis much caused by abuse of power by which the owner of bank owner to use public funds to their group own and their directors professional only as a stamp. Anup Agrawal and Charles Knoeber (1996) saying the performance of the good depends on the monitoring mechanism between managers and professionals) with directors shareholders. The interest in running the company to become a source of conflict, where shareholders it strives for gain maximum profit with a very quickly with pass every way, While managers trying to run in accordance with procedures, provisions and legislation is implemented and continue to think about survival companies in future .The rules clear between shareholders and the board of directors and the existence of the function of good control will affect both a performance of a bad company . While managers trying to run in accordance with procedures, provisions and legislation is implemented and continue to think about survival companies in future .The rules clear between shareholders and the board of directors and the existence of the function of good control will affect both a performance of a bad company.

**Table 1** Research Population and Sample

<b>Banking Segment</b>	<b>Population</b>	<b>Bank Sample</b>	<b>Customer Sample</b>
Large (Total Asset > Rp. 20 Billion)	11	5	28
Medium (Total Asset Rp. 1-20B)	62	26	144
Small (Total Asset < Rp. 1 Billion)	65	27	148
<b>JUMLAH</b>	138	58	320

Avinandan, Manabendra (2002) define the performance of is how a bank can take advantage and use the available resources can produce the use of the transaction with called with the efficiency ratio where the concept of efficiency is stripping critically from the perspective of marketing .Efficiency is measured by comparison between the input and output , where the results of a high ratio showing better performance .Berger and mester (1997 said that the performance of the company is a multidimensional the idea of having component parts as the ability to generate profit , the quality of productive assets and reduce productivity is measured by that affects the ability to maintain customer relations, the level of service delivery and image of companies.

Frazier and Howell (1983) in the assessment of performance using the parameters as financial return on sales , return on assets and return on networth to know marketing strategy planning company with a base product segments , customer service group and operational variable other business .Gupta and Huefner (1972) using financial performance to study the basis of the characteristics of industry. Sudarsanam and Taffler (1985) using the ratio of finance to get the base of the characteristics of the industrial sector 14 different .Voss and Voss (2000) used a measure that is objectively as the total income , net profit / net loss to study the relation between the orientation of the strategy and the company performance. The parameters of the output of variable that used by avinandan et al there is 1 of 5 deposit , net profit 2 , 3 of the us advances given by each individual bank , 4 and 5) non-interest income interest spread .5 while the variable parameter input is 1 of the net worth of the banks, borrowings of the banks 2 , 3 of operating expenses , 4) number of employees in the country and 5) number of bank branches in the country .In testing the performance of used data analysis (DEA) envelopment model which is a mathematical approach to handle the situation with multiple inputs and outputs and as the measurement of performance of multiple bank reliable .From the analysis of the 68 banks in India, private banks or private bank received a record of the highest efficiency .While the order of the next is the banks of the government obtain better value than with foreign Banks in India although foreign banks have the Application of modern technology and aggressive Marketing business.

## **THE RESEARCH HYPOTHESIS**

Credit quality national banking sector is impact on the company performance national banking.

The quality of service of its effect on the company performance national banking.

The satisfaction of customers of its effect on the company performance national banking.

## **THE RESEARCH METHODS**

Considers the purpose of study , and this research is verifikative and descriptive .A type of investigation are causality, will be tested because of cause and effect relationship between variables free and not free .A unit of analysis in this research are dyad, because the customers as respondents and valuation of bank Indonesia. Time horizon in this research is cross sectional, because information from some of the population sample of respondents) collected directly at the scene in an empiric, with the aim to know the opinion of some of the population against the object being researched.

## **THE RESEARCH RESULT**

### **Indonesia National Banking Credit Quality**

The state of the principal payments or back their principal and interest credit by customers who measured by three dimensions, namely the ability of paying for them the financial condition of, and in addition to business prospects. Where in general national banking sector is in Indonesia having the quality of credit lancer, but pretty healthy.

### **Indonesia Banking National Service Quality**

Overall the characteristics of services which affect on his ability to meet the needs of customers who expressed and are not otherwise. Measured through five dimensions, namely:

- Tangibles covering the sophistication of equipment and technology, attractiveness pick facilities, neatness

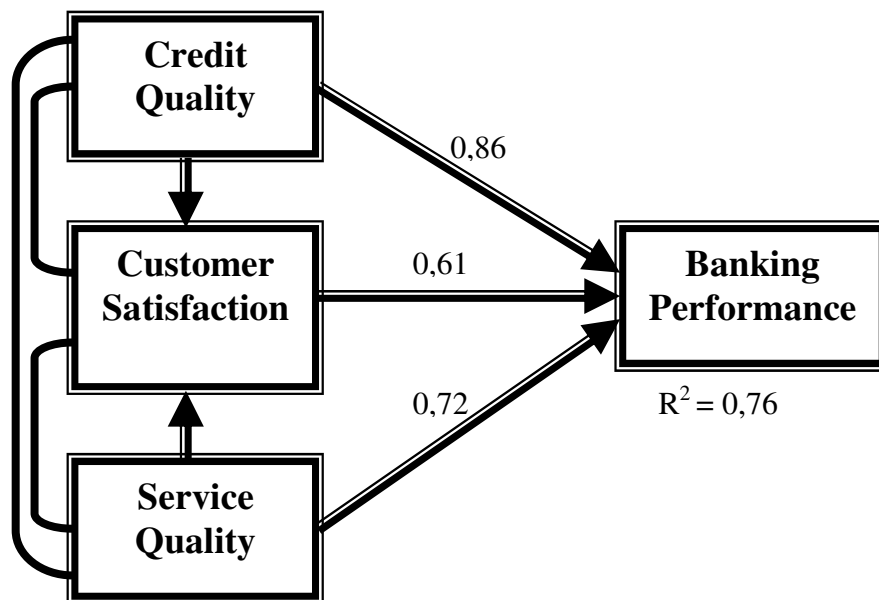


Figure 2

Clothing and appearance employees, and conformity appearance physic facilities with the type of service.

- Assurance covering the accuracy of the promise of institutions, the accuracy of the time of the provision of services, transacts security, aptness banking operations of time, and the certainty of service.

- Covering reliability and customer trust in institutions, the level of accuracy of a record customers, and trust of customers on employees.

- Responsiveness to include the speed of employees in serving customers and the readiness of employees in serving customers.

- Empathy covering sympathetic attitude, willingness to help customers, responding to customer demand, civility employees at customers, support the institution on employees, attention to customers, and understand the needs of customers.

Based on the research turns out the quality of national banking services in Indonesia relatively good, but reliability and assurance considered less well by customers.

### Customer Satisfaction

The contrast between the qualities of service received by customers with jasa expected customers. Measured through five dimensions, namely: hope tangibles if with the performance of tangibles, the hope of empathy compared with the performance of empathy, the hope of assurance compared with the performance of assurance, hope reliability compared with the performance of reliability, hope responsiveness compared with the performance of responsiveness. Based on the results of

the analysis, it can be obtained that pleasure customers fairly high, but still low when compared to banks in Asean countries.

### Banking Performance

Something achieved the target by banks seen from the bank Indonesia and customers , measured by CAR (BI) , NPL (BI), the fulfillment of PPAP (BI), ROA (BI), ROE (BI), LDR (BI), the growth of credit BI), BOPO (BI) , NIM (BI), the number of customer credit), the purchase of the customers) (customers , not affected the enticements to move the bank customers) (recommended on others (customers). Based on the analysis .Then got that capital owned by national banks in Indonesia enough , productive assets relatively less, rent ability less, enough liquidity, less efficiency, and the expansion of business and tissue enough.

### The Influence of Credit Quality, Service Quality, and Customer Satisfaction on Performance

Based on the analysis , the findings obtained a , that credit quality , the quality of service , and the satisfaction of customers proved influential positive and significant contribution on the company performance with 76 percent of banks , with F value 34,276 > F table 3,75 (significant) other factors that affect the company performance is the third side variables is 24 percent.

The quality of credit on a partial proved influential positive and significant impact on the company performance, with t value of 4,76 > t table 1,96

(Significant), so the hypothesis 1 accepted. The quality of services also influences the performance of companies with t value of 3, 21 > t table 1, 96 (significant), so the hypothesis 2 accepted. The satisfaction of customers proven effect on the company performance with t value 2.76 > t table 1, 96 (significant), so it can be said that hypothesis 3 accepted.

The dominant factor affecting the company performance of the three banks in the top is of variable 0, 86 of credit quality.

## CONCLUSION

Generally having the quality of national banking credit lacer in Indonesia, but quite healthy.

The quality of national banking services in Indonesia relatively good, but reliability is considered less assurance and good by customers.

The satisfaction of customers high enough, but still lower than banks in Asean countries.

Who owned national banking capital in Indonesia enough, relatively less productive assets, rent ability less, enough liquidity, less efficiency, and the expansion of business and tissue enough?

The quality of credit, the quality of service, customer satisfaction and positive and significant on proved influential banking company performance. The quality of loans on a partial proved influential positive and significant impact on the company performance. This is also the quality of services impact on the company performance. The satisfaction of customers' proven effect on the company performance.

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