



## Full Length Research Article

### MICRO BANKING: SATISFACTION AND BRAND TRUST ANALYSIS OF MICROBORROWER LOYALTY

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#### ARTICLE INFO

##### Article History:

Received 28<sup>th</sup> October, 2016  
Received in revised form  
21<sup>st</sup> November, 2016  
Accepted 14<sup>th</sup> December, 2016  
Published online 30<sup>th</sup> January, 2017

##### Key Words:

Microbanking, Service marketing mix,  
Company characteristic,  
Brand characteristics,  
Borrower satisfaction,  
Brand trust,  
Microborrower loyalty,  
Structural Equation Model (SEM).

#### ABSTRACT

**Abstract Purpose:** The success of any service industry is not only highly depended on its ability to attract potential customers, but also to maintain and retain customers who have used the services and products. Without the ability to preserve and defend, it predicted the bank tends to be abandoned by its customers, and will switch to another bank that offers services similar products. Factors that influenced banking success such as service marketing mix, company characteristics, brand characteristics, borrower satisfaction and brand trust of micro-borrowers will become the focus of this study.

**Design/methodology/approach:** This research was using data from three biggest micro banking in Indonesia based on credit portfolio. – Empirical evidence from both depth interviews and data obtained from 120 respondents were integrated into a conceptual model. The model was tested using structural equation modeling.

**Findings:** The result of this research was shown that service marketing mix, company characteristic, brand characteristic, and borrower satisfaction had significant effect on the borrower loyalty. Service marketing mix had the biggest influence effect on borrower loyalty. And brand trust had no significant effect on borrower's loyalty.

**Practical implications:** The finding providing insight for bank's top management in developing debtor's loyalty for business sustainability.

**Originality/value:** This research examines the influence of brand trust in service industry had different context with trade industry.

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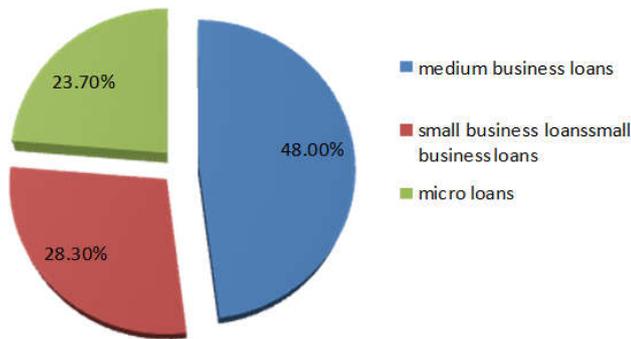
#### INTRODUCTION

The success or lack of success of business activities of a company is determined by the ability to attract potential customers or clients, as well as maintain and retain customers who have used the products offered. There is no exception in the business banking sector, the service industry's success was not only highly depends on its ability to attract potential customers, but also to maintain and retain customers who have used the services of its products. Without the ability to preserve and defend, it predicted the banks tend to be abandoned by its customers, and will switch to another bank that offers services similar products. There are two types of consumer/customer that is owned by a bank, namely: large customers (macro) and small customers (micro). That two type or banks are based on the amount of the form of ownership or venture capital needs faced by customers.

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No wonder that in terms of the number of businesses, large and small customers differences are very striking. In 2009 the number of large customer business recorded as many as 4,677 enterprises, while small clients attempt to record the number 52,764,603. In 2012 these two types of customers increased to 4968 businesses to large customers, and 56,534,591 small businesses to customers. During the period from 2009 to 2014, the number of large customer business increased on average by 0.01 percent, while small clients increased on average by 2.41 percent. Especially small customers (micro), which further will be the center of attention in the study here, the definition of this type of business in Indonesia is included in the form of the Bank's customers with credit MSMEs (micro, small and medium enterprises), as stipulated in Law No. 20 Year 2008 on SMEs. Under the bill, SMEs are productive businesses that meet the criteria of business within certain constraints net worth and annual sales revenue. Type the use of consumer credit fall within SME credit statistics. MSME among other mandates the government / local government in: (a) Providing convenience/encourage the expansion of sources of funding/

access to credit; (B) The construction of public infrastructure, the location of the market, the use of the data bank; business information network; and facilitating the ownership of Intellectual Property Rights; (C) The development of a mutually beneficial partnership between SMEs and large enterprises; (D) Exemption of licensing fees for micro-enterprises; e) provision of relief to small businesses; and (f) Promotion and prioritizing the use of SME products. (Ministry of Cooperatives and SMEs, 2013). Classification of Enterprises According to the SME Credit in Figure 1 below.



Source: Bank Indonesia, reports the development of MSME credit Quarter 2015

**Figure 1. Classification of Enterprises According to the SME Credit, Second Quarter, 2015**

The types of SME loans are categorized into: (1) microcredit with a ceiling of up to 50 million, (2) small loans with a ceiling of more than 50 million to Rp. 500 million, and (3) intermediate credit with a ceiling of more than Rp 500 million to Rp s.d. 5 billion. Based on Figure 1, the credit medium enterprises have the largest percentage of 48%, then the second in small business loans 28.3% and micro business loans of 23.7%. Medium business is a business with assets criterion > 500 million - Rp10 billion and turnover > Rp2.5 billion to Rp50 billion, small and medium enterprise is a business with assets criteria > 50 million - 500 million and a turnover of > 300 million - Rp2,5 billion, while micro-enterprise is a business with assets criterion maximum of Rp 50 million and a maximum turnover of USD 300 million. Despite having a large number of customers with credit scores of small and medium enterprises, micro credit business types have great potential in providing income that banks dive in. In 2012, the SME sector's contribution to GDP - recorded a figure of 59.08 percent or Rp.8.241,9 trillion (at current prices), with employment amounting to 97.16 percent of the total workforce of 110.8 million people (Ministry cooperatives and SMEs, 2013). Even in a crisis situation, often become the foundation of this business sector to maintain stability and economic growth of a nation, including Indonesia.

We can see in the SME sector is considered to be the savior in an effort to resolve the situation monetary crisis in 1998 and unique to Indonesia. Today, where the nation and the country we are being confronted with economic growth weakens, the slump in the rupiah faced with foreign currency, the increase in prices of labor goods are not / less controllable, the threat of termination of employment (FLE) workforce in the industrial sector, and others, the type of microcredit is judged to be the foundation for addressing and save Indonesia. In this economic condition is predicted to SMEs will be excellent, where most of the banks in Indonesia are competing to attract customers in this SMEs type. Cases in other countries, Karadag (2015) of

the results of research in Turkey said that the segment of micro, small and medium size in lending by banks in Europe have a considerable role. Credit service is the one segment as the backbone of the European economy since the 1980s, hence the necessary efforts to enhance growth. The credit recorded 98% of the existing company (20.7 million businesses) and 67% of total employment and 58% of Gross Value Added (GVA) in Europe in 2012. Similar in its development in Turkey, where the distribution rated credits in the segment move socio-economic development of society and contributes 50% of GDP, therefore, further referred to as the growth engine. In the Indonesian context, the development of SMEs themselves stimulated by regulations issued by Bank Indonesia, namely commercial banks plan lending or financing of SMEs with regard phases of achieving credit ratio or the financing of SMEs to total loans or financing, namely:

- In 2015, at least 5% (five percent);
- In 2016, the lowest 10% (ten percent);
- In 2017, the lowest 15% (fifteen percent); and
- Since 2018, at least 20% (twenty percent).

The government (Bank Indonesia) as a regulator also facilitating the need for SME lending, such as providing incentives, sales force training, and rewards to participating commercial banks. Sundari (2012) in her study mentioned that one of the constraints of limited microfinance by Micro Finance Institutions (MFI) is the complexity of internal and external problems that it faces. On the internal side, for example the influence of the MFI's financial performance, the performance of the organization and human resources and eligibility, while the external side, such as government regulation, macro-economic conditions, per capita of local income, business and competition. Constraints described above, it refers to the external factors, namely the perception of potential debtors to use the services of SME loans. Grigoroudis *et al.* (2012) mentions the importance of carrying the bank's philosophy of "Customer Orientation" in order to provide services through branches which are directly related to customer. Customer / debtor satisfaction becomes a mediator between the experience of employees and financial performance of the business. Customer / debtor will evaluate the performance of employees in the branch as an appraiser to finally pick back the services of a particular bank to be used or referred to by loyal.

Satisfaction measurement of debtor using parameter among other employees, operating costs, the value of employee performance, consumer expectations, the amount of deposits in the bank, a history of the results of the evaluation of customer satisfaction, the amount of loans the bank, the number of new accounts, and the results of the annual survey on the assessment of consumer loyalty. It said that if the bank failed to confirm the expectations of the customer / debtor, it will lead to a decrease in operational performance, satisfaction of the debtor, and customer loyalty over the long term, especially if the bank for local scale market. Because of the tight bank competition, quality of service is one of the most important factors affecting the relevant market share and profitability of the bank. It is confirms the importance of combining the service quality measures in evaluating the efficiency and benchmarking analysis of the banking organization. Jose and Buchanan (2013) in the results of research in South India argued that the characteristics of the micro-credit equal to the higher credit class in terms of addressing their satisfaction with

the services, products and relationships with customers or debtors bank. Based on the bank's role, the success of the bank services and the competition between competitors causing the importance of marketing information to anticipated the changing tastes of the debtor to the bank services. For that set of marketing variables that can be controlled and used by bank to achieve marketing goals, the so-called marketing mix strategy. Marketing mix of bank strategies should be able to adjust to the bank's internal factors and external factors such as the bank competitors, technology, government regulation, economic, and socio-cultural factors. The success of the service is determined by the extent to which customers or debtors know the reputation, the motive and the integration of the bank. Reputation is an important asset for the company because of the reputation capable of determining consumers' willingness to use the services of the bank or not. The bank's reputation was capable of causing the reluctances for competitors to enter the industry. It is becomes important because of the arrival of competitors often bring pressure on the profitability of the company. Establish or maintain a reputation absolutely necessary step and the right planning and the continuous running one to be a listener what the bank stakeholders, in particular customers / debtors. These factors are known as the company characteristic. Customer confidence / debtor were determined by the brand. The willingness of the customers or debtors to trust a brand's with all risks known as the brand characteristic. Customer / debtor hope promised by the brand in delivering positive outcomes for them. The high willingness of customers / debtors will determine the success rate of bank services.

### Problem Formulation

SME sector obviously has a huge potential in the economy of a country, such as the contribution to GDP, employment, and economic stability. However, the sector is still less noticed and studied in depth and detail by various parties, especially given the sensitivity to the ebb and flow of customers / debtors. Studies on customer / debtor SME can provide a complete understanding about it, especially useful to further improve and increase the number of customers and the development of the bank itself. SME credit expansion by the banks, although growth but showed growth tends to decline. Data from Bank Indonesia in the second quarter of 2015 showed a less encouraging trend compared with the growth of SMEs reached in quarter 1 2015. This SME Credit obviously confronted with sensitivity tidal clients, because number of reasons, mainly dissatisfaction customers / debtors on various factors comes from the SME loan portfolio of banks.

Based on the statement of financial performance of SMEs by Bank Indonesia in Q2 2015 obtained the information, that credit tray in this segment reached Rp. 748.8 trillion with a growth of 9.2% (year on year). According to the classification of businesses, mostly SMEs credit channeled to the medium business loans, which amounted to 48%, and 28.3% for small business loans, and 23.7% for micro loans. Type the use of SME loans are channeled to finance working capital loans, which amounted to 74.2 percent, and investment loans stood at 25.8 percent. According to the group of banks, the largest distributor of SME loans made by Private Bank as much as Rp. 356.5 trillion (47.6%), followed by Foreign Exchange Private National Banks Rp. 250.0 per cent (33.4%), BPD Rp. 53.0 trillion (7.1%), RB / SRB Rp. 37.9 trillion (4.3%), Private Non Foreign Exchange Bank Rp. 32.2 trillion (4.3%), bank

mixed Rp. 13.3 trillion (1.8%), and foreign banks Rp. 5.8 trillion (0.8%). Although economic condition in Indonesia is declining, the rate of growth of SME loans above it appears that lending in this sector remains promising. SME entrepreneurs still need the help of venture capital from banks. However, data from Bank Indonesia also shows when viewed from the previous quarter growth, the development of SMEs has decreased by 1.4 percent. Of the total growth in bank credit, SME growth slowed by 0.9%. Slowing growth in SME loans Q2 compared to Q1, respectively of 1.5% for micro enterprises; of 1.3% for small businesses, and 1.2% for medium-Based on the data in Bank Indonesia, that the largest share of lending by state banks are SMEs and private banks. It can be seen from the rise of banks that make these types of micro lending activity as its core business. As for the impact of the increasing number of banks who were involved in the financing of SME loans will bring up a climate of competition between companies in the public interest in deciding on the use of bank credit services.

In the bank's efforts to retain their business, seize opportunities micro loan portfolio is quite large and also in meeting the challenges facing the Bank Indonesia regulation as well as competitors, loyalty debtor becomes very important. Discussion about loyalty debtor SME, allegedly can not to walk alone, but is influenced by various factors put forward, which is derived from the bank loan portfolio of SMEs, among others: service marketing mix, company characteristics, brand characteristics, satisfaction of the debtor and brand trust. The influence of these factors on customer loyalty / debtor SMEs will become the focus of this study. Because declines of overlooking that SMEs quite sensitive to the ups and downs of customers/debtors. Factors thought to affect the loyalty of customers / borrowers that are the focus of this study. From the background of the problem can be formulated as follows how does the service marketing mix, company characteristics, brand characteristics, debtors satisfaction and brand trust of micro-borrowers loyalty and what strategies should be executed to improve the growth of micro-credit business. In general, the study aims to analyze the influence of service marketing mix factors, the characteristics of the company, brand characteristics, satisfaction and brand trust debtor to debtor loyalty factor.

In detail the research aims: first, analyze the direct and indirect effect factors of Service Marketing Mix (SMM), Company Characteristics (CC), and Brand Characteristics (BC), the Loyalty Debtor (LD) through the Borrower Satisfaction (KD) and Brand Trust (BT); second, analyze the contribution of selected indicators of latent variables. (Service Marketing Mix (SMM), Company Characteristics (CC), Brand Characteristics (BT), Debtor Satisfaction / KD, Brand Trust (BT), and Loyalty of Debtor / (LD); third, factors of Service Marketing Mix (SMM), Company Characteristics (CC), Brand Characteristics (BC) and the Borrower Satisfaction (KD) is an endogenous variable that allegedly give effect to the loyalty debtor factor (LD) as an exogenous variable.

### Conceptual framework

Loyalty theory refers to the theories of Kotler and Keller (2009) by measuring the repeat purchase of fidelity towards the purchase of a product, namely retention debtor resistance against the negative effect on the company, and referalls that the behavior of a person or group refer to the existence of the

bank where he was a debtor. Debtor's satisfaction theory refers to the theory Zeithaml *et al.* (1990) by measuring the physical (tangible), reliability, responsiveness, assurance, and awareness (empathy). Theory brand trust refers to the journal from Doney and Canon (1997) in the journal from Lau and Lee (1999) with a measure of credibility is the belief that the partner doing their jobs effectively and benevolence is the belief that the intent and motivation partner will provide mutual benefits. The theory of service marketing mix refers to the theories Zeithaml *et al.* (2009) that the interests of a ministry which is measured by 7P are price (interest), location (place), products (product), process (process), physical (physical), promotion (promotion) and employees (people). Theory company characteristic refers to the journal from Lau and Lee (1999) by measuring indicators of trust in the company, company reputation, company perceived motives, and company integrity. Theory brand characteristic refers to the journal Lau and Lee by measuring brand reputation, brand and brand competence predictability.

### **The relationship between service marketing mix to the satisfaction of the debtor and the debtor loyalty**

In this study takes object service marketing mix, which is the marketing mix in the service field. Research on service marketing mix has been done by Triska, Zulkarnain and Sulistyowati (2014), aims to assess the elements specified in the marketing strategy BPR loan portfolio, for the right target and respond to the needs of the debtor. In a study by Ibok and Udofot (2012), argued that the variables have a significant effect on loyalty of micro-borrowers is a service, communication, knowledge of the consumer, the credibility / reliability and security. While the bureaucratic transactions and the waiting time has negative correlations to the loyalty.

Research by Ganesh and Haslinda (2014) argued that the dimensions in service management and service quality to create value for the business through customer participation that will produce satisfaction, retention and as an investment long term for the company. Research by Jose and Buchanan (2013) suggests that there is significant influence between the services received from bank debtors on the retention of the debtor. In addition, the rate of return of debtors is influenced by their perception of fear to the bank if the arrears are not going to get the help of bank loans in the future. Hereinafter the results suggested that the debtor relationship with the bank employees (people) have more influence on the retention of the debtor, compared with the company's products and a good image in the community.

### **The relationship between brand trust and of the debtor loyalty**

In a study of Ballester and Aleman (2001) which aims to assess the confidence in one another brand influence on consumer's commitment to repurchase certain products

### **The relationship between the debtor satisfaction with brand trust**

In a study by Misbach *et al.* (2013) suggests that there is significant influence between the variables of the system, responsiveness, reliability, and compliance of the variable trust through satisfaction.

### **The relationship between debtor satisfaction with loyalty debtors**

In the study by Keisidou, Sarigiannidis and Maditinos (2013) suggested that the economy, tangible, relational quality, image, value, and high brand credibility have influence positively to the satisfaction of the debtor. Which significantly affect the loyalty is the image, value, customer satisfaction. Positively affecting the value is functional quality, relational quality and image. Variables that influence in a positive image is value, and satisfaction and customer value. Image also has positive influencing variable quality functional and relational quality. Meanwhile, consumer satisfaction and consumer loyalty does not affect the economy. This is caused by the condition of countries in crisis, so the effect on the banking system in the country affected by the crisis. In a study by Seiler *et al.* (2013), the variable value has a direct influence to variable customer satisfaction and customer loyalty. In a study by Skowron and Kristensen (2011), said that the banking crisis regionally (Europe) effect loyalty of customers of banks caused by the decline in customer satisfaction, latent variables tested were image, expectations, and quality affects customer satisfaction through the perceived value. In a study by Choudhury (2014) argued that private banks, consumers orientation is the most important influenced by word of mouth, the selection of the bank and complain, and the commercial bank reliability dimension (SERVQUAL) is the most important.

### **The relationship between the Company Characteristic, Characteristic Brand and Brand Trust**

Lau and Lee (1999) in his research entitled suggests there is a significant positive relationship between company characteristic, characteristic brand, consumer- brand characteristic of brand loyalty through trust in the brand.

For the purposes of analysis, framework / model theoretic research is described as follows:

## **MATERIALS AND METHOD**

### **Time and Location of Research**

The location of research carried out in the three largest micro banks in Indonesia by assets owned. The choice of location is done intentionally (purposive) in consideration of these banks already have a customer base with a profile of consumers who already diverse, representing debtors micro banks in Indonesia. They are Bank A, Bank B and Bank C. The study was conducted for 4 months, starting in December to March, 2015.

### **Research Approach**

This research was conducted using descriptive methods and explanations. Descriptive studies to explain the situation and the characteristics of the respondent, whereas the explanation or explanatory study using SEM (Structural Equation Model). The model used is a model of causality with aim to determine causal relationships between the latent variables exogenous and endogenous variables and influence with each of the parameters used in the study. Types of data collected are primary and secondary data.

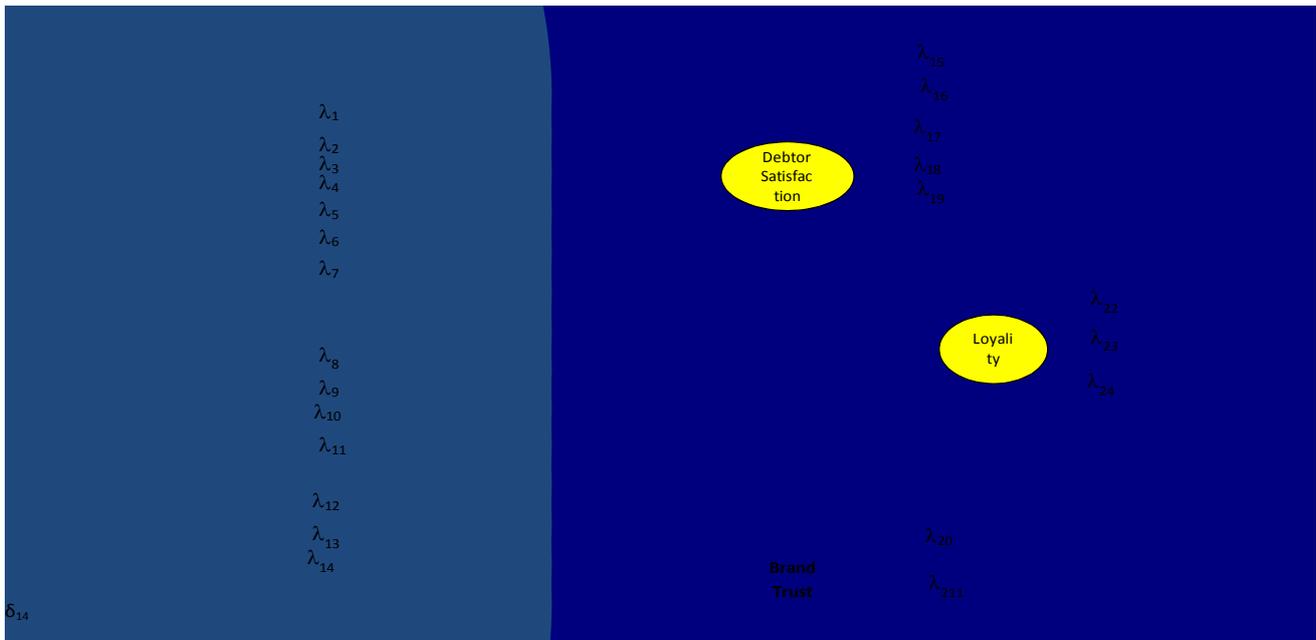


Figure 2. Loyalty model

Tabel 1. Hypothesis testing

Hypothesis	Description	References
H1	Service Marketing Mix positive effect on debtor satisfaction	Triska, ZulkarnaindanSulistiyowati (2014), Ganesh danHaslinda (2014)
H2	Service Marketing Mixpositive effect on Brand Trust	Triska, ZulkarnaindanSulistiyowati (2014), Ganesh danHaslinda (2014)
H3	Service Marketing Mix positive effect on debtor loyalty	Triska, ZulkarnaindanSulistiyowati (2014), Ganesh danHaslinda (2014)
H4	Company Characteristic positive effect on debtor satisfaction	Lau dan Lee (1999)
H5	Company Characteristic positive effect on Brand Trust	Lau dan Lee (1999)
H6	Company Characteristic positive effect on debtor loyalty	Lau dan Lee (1999)
H7	Brand Characteristicpositive effect on debtor satisfaction	Lau dan Lee (1999)
H8	Brand Characteristic positive effect on Brand Trust	Lau dan Lee (1999)
H9	Brand Characteristicpositive effect ondebtor loyalty	Lau dan Lee (1999)
H10	Brand Trustpositive effect ondebtor loyalty	Ballesterdan Aleman (2001)
H11	Debtor satisfaction positive effect onBrand Trust	Misbach, Surachman, Hadiwidjojo danArmanu (2013)

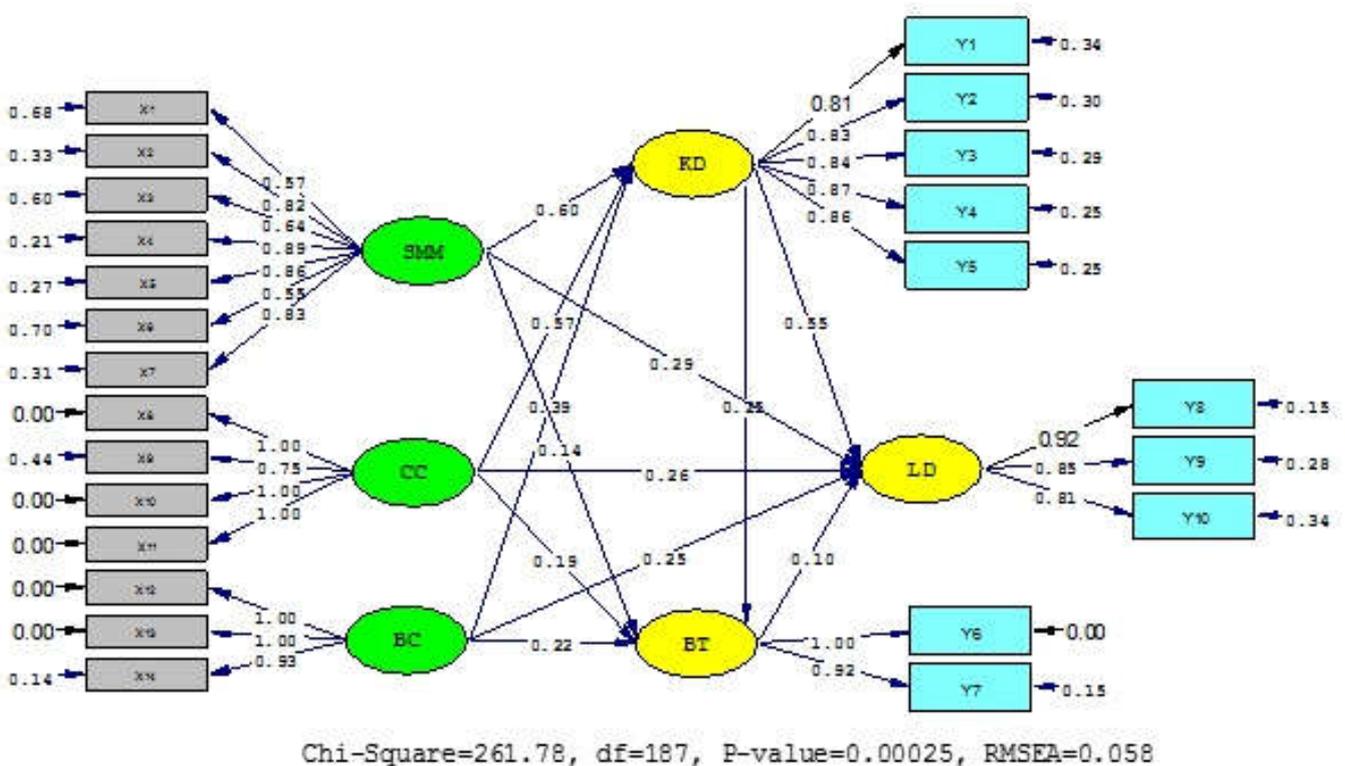


Figure 3. Standardized loading factor

Primary data from the respondents and the result of in-depth interviews with experts and secondary data include micro credit data and company profile. Data collection techniques in this study conducted surveys and interviews directly to the respondent debtor to test the model, and in-depth interview represented by bank officials to get an overview of relevant profiles of bank. Also by studying literature through journals, scientific papers, and sources of books relating to the cases studied. The population in this study are microcredit debtors in the Bank sample, Including Bank A, Bank B and Bank C. And for in-depth interviews of experts is official authorized by banks as strategic decision makers of items, namely the post of head of the business division or head region. Bank elections approaching committed intentionally minimal composition SME loans by the Bank of Indonesia. It is proportional debtors of each bank in accordance with the great composition of microcredit bank. From this research it distributed 150 questionnaires to debtors of the Bank into the sample study. But not the entire questionnaire distributed completed and returned to the researcher, but only mostly alone. 120 number respondents who filled out the questionnaires and accepted by researchers. In this study, the data analysis technique uses a tiered structure model Structural Equation Model (SEM) which is operated through a program Linear Structural Relationship (LISREL). The software used is LISREL version 8.7.

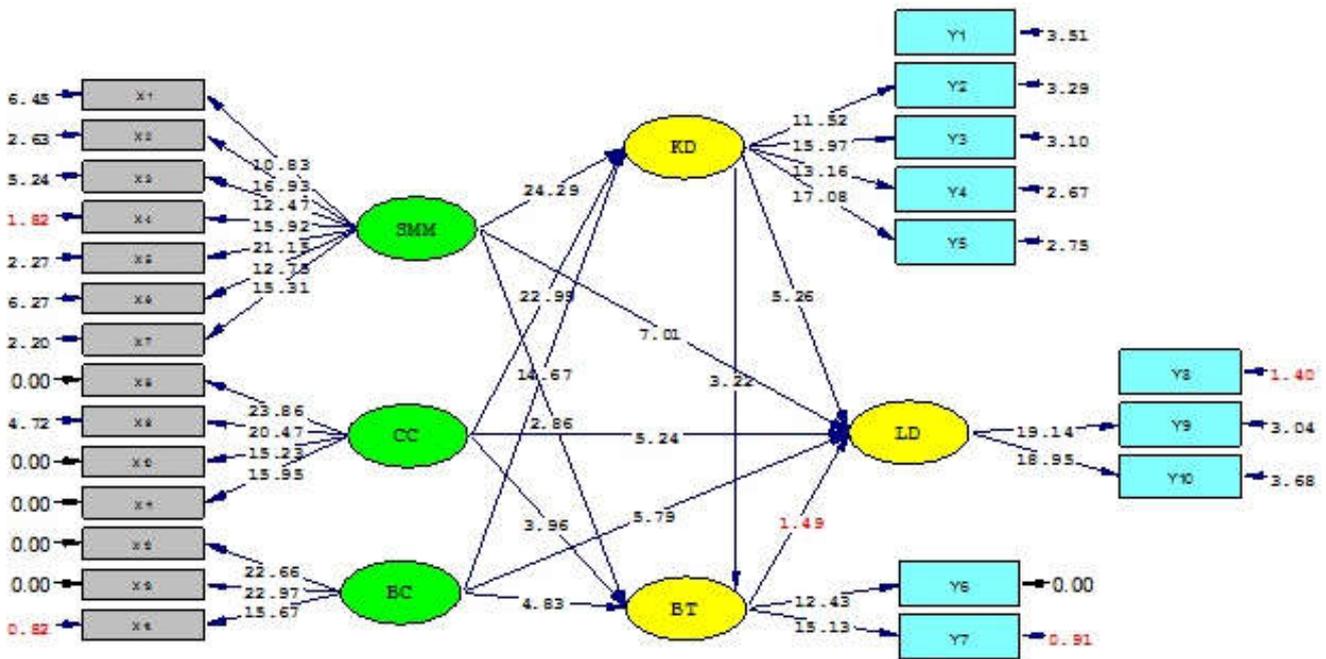
## RESULTS

Test the validity relates to whether a variable measure what is supposed to be valid if the variable measured. The variables are able to measure what is desired. Validity test is done by correlating the score of each item with the total score. The correlation technique used is the Pearson Product Moment, where the instrument is said to be valid if the correlation ( $r$ ) value is greater than ( $r$ ) table. In this study, a validation test performed using SPSS version 22.0 and using the total sample of 30. If the value of  $r$  is bigger than  $r$  table ( $n = 30$ ), ie 0,361 then be valid. Reliability test indicates the extent to which a measuring tool that can deliver results relatively equally, if done the re-measurement on the same object. The minimum reliability value of dimensional forming latent variable can be received over 0.70. If the value is more than 0.70 Cronbach alpha meaning is reliable. Below is a table of testing the validity and reliability of the questionnaire. Based on test validity and reliability, shows that all the questions of variable service marketing mix has good validity, the correlation values ( $r$ ) count larger than the table Pearson correlation ( $r$  table = 0.361). it means that the question of service marketing mix variables have good validity. Validity and reliability tests also showed that the Cronbach alpha value service marketing mix variable has a value greater than 0.7 means that indicators of service marketing mix shows good reliability. All questions of variable characteristics company has good validity, the correlation values ( $r$ ) count larger than the table Pearson correlation ( $r$  table = 0.361). it means that the question of variable characteristics company has good validity. Validity and reliability tests also showed that the Cronbach alpha value of the variable characteristics company has a value greater than 0.7 means that the indicator company showed good reliability characteristics. All questions of variable brand characteristics has good validity, the correlation values ( $r$ ) count larger than the table Pearson correlation ( $r$  table = 0.361). it means that the question of brand characteristics variables has good validity. Validity and reliability tests also

showed that the Cronbach alpha value of brand characteristics variable has a value greater than 0.7 means that the indicator of brand characteristics showed good reliability. All inquiries of satisfaction variables debtor has good validity, the correlation values ( $r$ ) count larger than the table Pearson correlation ( $r$  table = 0.361). it means that the question of satisfaction variables of debtor have good validity. Validity and reliability tests also showed that the Cronbach alpha values of variables satisfaction of debtor has a value more than of 0.7 means the satisfaction indicators shows good reliability.

All questions of variable brand trust has a good validity, the correlation values ( $r$ ) count larger than the table Pearson correlation ( $r$  table = 0.361). it means that the question of brand trust variables have good validity. Validity and reliability tests also showed that the Cronbach alpha values of variables brand trust has a value greater than 0.7 means that brand trust indicators showed good reliability. All questions of loyalty variables debtor has good validity, the correlation values ( $r$ ) count larger than the table Pearson correlation ( $r$  table = 0.361). it means that the question of loyalty variables debtor has good validity. Validity and reliability tests also showed that the Cronbach alpha values loyalty variables debtor has a value greater than 0.7 means that the debtor loyalty indicators showed good reliability. Based on the results of the responses of 120 respondents of the variables studied by the researchers, the researchers will describe in detail the respondents' answers were grouped in descriptive statistics. Submission of an overview of the data used in the study is descriptive statistics is to the respondent's answers , the average and the top two boxes Structural model and the value of the loading factor of the data that has been processed is shown in figure below. Processing SEMs produce standardized loading factor for each variable and indicators. Standardized loading factor is greater correlation between the indicators of the latent constructs. Measurement of a construct is often done indirectly through their indicators. Indicators with high loading factor have a higher contribution to explain the latent constructs. In contrast to the indicator with a low loading factor has a weak contribution to explain the latent constructs.

Examination of the structural model includes an examination of the significance of the estimated coefficients. This check is performed by checking the value  $t$  of the estimated coefficients. If  $t$  is greater than or equal to 1.96, the coefficient is significant. Overall test of the structural model and the measurement models, can be done based on comparison of the estimated value of Goodness of Fit model. Each estimate is, seen by referring to the goodness of fit (GOF). Examination of the results of the estimation carried out to see the possibility of disturbing estimates, ie values that do not make sense or anomalies. Results suitability model can be seen in table below. According to the table GOF, most of all indicators show that the model is fit or SEM is good. Data from the questionnaire has been able to answer the theory is built. RMSR (root mean square residual) is a measure of the mismatch model of the data used and the value RMSR is expected to be small. RMSR value of 0.086 research shows that the value of SEM models fit the data used. RMSEA value was expected to be small which ranges  $\leq 0.08$  so that might be a hint that the model has been ideal. SEM models used otherwise ideal because it has a value of RMSEA 0.058.



Chi-Square=261.78, df=187, P-value=0.00025, RMSEA=0.058

Figure 3. t value

Table 2. Results of the conformance criteria SEM models

Goodness-of-Fit	Cutt-off-Value	Result	Information
RMR(Root Mean Square Residual)	≤ 0,05 atau ≤ 0,1	0.086	Good Fit
RMSEA(Root Mean square Error of Approximation)	≤ 0,08	0.058	Good Fit
GFI(Goodness of Fit)	≥ 0,90	0.97	Good Fit
AGFI(Adjusted Goodness of Fit Index)	≥ 0,90	0.96	Good Fit
CFI (Comparative Fit Index)	≥ 0,90	0.99	Good Fit
Goodness-of-Fit	Cutt-off-Value	Result	Information
Normed Fit Index (NFI)	≥ 0,90	0.97	Good Fit
Non-Normed Fit Index (NNFI)	≥ 0,90	0.99	Good Fit
Incremental Fit Index (IFI)	≥ 0,90	0.99	Good Fit
Relative Fit Index (RFI)	≥ 0,90	0.96	Good Fit

Table 3. Directly influence of hypothesis testing

Track	Coefficient track	T value	Information
SMM→KD	$\gamma_{11}$ 0.60	24.29	Significant hypothesis is accepted
CC →KD	$\gamma_{12}$ 0.57	22.99	Significant hypothesis is accepted
BC→KD	$\gamma_{13}$ 0.39	14.67	Significant hypothesis is accepted
SMM →BT	$\gamma_{21}$ 0.14	2.86	Significant hypothesis is accepted
CC→BT	$\gamma_{22}$ 0.19	3.96	Significant hypothesis is accepted
BC→BT	$\gamma_{23}$ 0.22	4.83	Significant hypothesis is accepted
KD →BT	$\beta_{21}$ 0.25	3.22	Significant hypothesis is accepted
SMM→ LD	$\gamma_{31}$ 0.29	7.01	Significant hypothesis is accepted
CC →LD	$\gamma_{32}$ 0.26	5.24	Significant hypothesis is accepted
BC →LD	$\gamma_{33}$ 0.25	5.79	Significant hypothesis is accepted
BT →LD	$\beta_{22}$ 0.01	1.49	Not Significant hypotheses Rejected
KD →LD	$\beta_{23}$ 0.55	5.26	Significant hypothesis is accepted

If |t value| > t table (1.96) then significant

Firdaus *et al.* (2011) suggested that there are no standard criteria stating the model is feasible or capable enough to explain the data based on the value of GFI, but the minimum limit commonly used is 0.9. GFI value obtained in this study was 0.97 (> 0.09) so that this model was feasible and able to explain the diversity of data. AGFI (Adjusted Goodness of Fit Index) according to paradise *et al* (2011) is modification of GFI to accommodate the degree of freedom the model with other models that compared with the general rule of thumb is 0.8. In this study, AGFI value obtained was 0.96, indicating that the model used is feasible. NIF (normed Fit Index) is the magnitude of the mismatch between target model with the base model.

NFI value obtained from this study is 0.97 so rated model in this study have been appropriate. CFI (Comparative Fit Index) according to paradise *et al.* (2011) is an index of the amount is not affected by the size of the sample so it is better to measure the level of acceptance of a model. The closer to 1.0, the models considered more appropriate (Mahardika 2006). Magnitude CFI gained 0.97 it can be concluded that the model is acceptable. Hypothesis testing directly influence the data shown in table below. Based on hypothesis testing, the result that from 12 the hypothesis being tested, as many hypotheses are accepted and one hypothesis declared rejected as insignificant. Significant or insignificant hypothesis is determined by the value t, if t is greater than t table with a

value of 1, 96 it is considered a significant value. Significant influence and accepted hypothesis is the influence on the test variable debtor satisfaction of service marketing mix variables, company characteristic, and the characteristic brand. Significant influence on brand trust shows variable from variable service marketing mix, company characteristic, characteristic brand and satisfaction of the debtor. At loyalty variables significantly influence the debtor obtained from variable service marketing mix, company characteristic, characteristic brand and satisfaction of the debtor. While there is no significant effect on the debtor loyalty variables of variable brand trust. The hypothesis that there is an influence variables of brand trust and loyalty of the debtor in this study resulted in no significant assay results. The difference with previous research that references the initial hypothesis is formed (Lau and Lee 1999), that confidence in the brand in the trade industry (consumer goods) is different from the service industry, which in the trade industry (consumer goods) companies often reinforces their trademarks in order popular in the community. The symbols also in form such interest to promote the hallmark of the brand and are often used so that the identity of the user, so that users tend to use the same brand as the hallmark itself, so it can be said that the wearer is a loyal customer. For example, if someone uses a clothing brand that has exclusive image, then the customer will also carry over to the exclusive personal impression, and tend to be a loyal customer because according to his needs. However, unlike the case with the banking industry, that a brand of the company is not only marked with a symbol of the company even though the symbols or slogans were as good and interesting as possible, but the success of the loyal customer is determined by the outstanding service quality and marketing strategies bank is right on target. Debtors do not use bank loans for the company's brand, but judging from the debtor bank services provided.

From the data processing is proven, that the exogenous variables studied (SMM, CC, BC, KD, and BT) has significant influence, directly or indirectly against endogenous variable (LD). Service marketing mix variables directly affect the debtor loyalty variables of 0.25, and indirectly through the satisfaction of the debtor of  $0.60 \times 0.55 = 0.330$ . Variable service marketing mix itself directly affect satisfaction and contentment debtors amounting to 0.60 debtor debtor's direct influence on the loyalty of 0.55. In service marketing mix seen that the process indicators (x4) and physical evidence (x5) contributed the most to this variable, which was respectively 0.89 and 0.86 of process indicators of physical evidence indicator, followed by the indicator of people (x7) of 0.83 and a place (x2) of 0.82 and later is an indicator of product (x3) 0.64, price indicator (x1) of 0.57 and promotion indicators (x6) of 0.55. Contributions from indicators process (x4) and physical evidence (x5) in the variable service marketing mix to the satisfaction of the debtor and the debtor loyalty each of  $0.89 \times 0.60 = 0.534$  and  $0.86 \times 0.60 = 0.516$  reflecting that debtor respondents surveyed provide a strong perception of the indicators of process and physical evidence. What is meant is meant by process procedures, mechanisms, services activity stream banks to borrowers in the loan process, from credit application by the debtor to the disbursement of money and credit is paid off. The definition of micro-credit process, for example the service administration not long-winded, no errors in loan processing resulting in longer time of receipt of money, friendliness, speed of time, and the like. The next indicator of great influence in contributing to the satisfaction of the

Borrower (KD) is physical evidence (physical environment), namely environmental services in the form of infrastructure bank, a component that facilitates the performance, security bank location, neatness, affordability locations, and so forth.

## DISCUSSION

### SUMMARY OF FINDINGS

There is a direct influence of service marketing mix variables, company characteristic, brands loyalty characteristics of the debtor. This shows that in the implementation of micro-credit, the bank needs to consider these variables to increase the loyalty of the debtor. The emphasis on these variables will provide increased loyalty debtor to the bank. The direct effect of the variable is also shown satisfaction to loyalty of debtor. The direct effect indicates that the bank emphasizes on satisfaction will increase loyalty debtor debtors directly. The direct effect of the debtor loyalty is variable service marketing mix (0.60), followed by satisfaction variables debtor (0.55), company variable characteristic (0.54) and the brand characteristic (0.44). In addition to direct effects, there is also an indirect influence between variable service marketing mix, company characteristic, and the characteristic brand through the satisfaction of the debtor. Indirect influence on the debtor is variable service loyalty marketing mix through debtor satisfaction variables (0.90), company characteristic through the satisfaction of the debtor (0.82), and the brand characteristic through the satisfaction of the debtor (0.62). This shows that the Borrower Satisfaction variables have a stronger effect to increase debtor loyalty than brand trust variables. The indicators on the Service Marketing Mix variables influence is greatest process Indicators on the variables most influential characteristic company are inclusive trust company, company perceive value and company integrity. Indicators on the variables most influential brand characteristic are brand reputation and brand predictability. Indicators greatest impact on debtor satisfaction is Assurance. Most influential indicator variable of brand trust is performance competence.

### Managerial implication

In mapping the research results, managerial implications can be used by the banks and the government to take a loyalty policy. Micro-borrowers measurements in this study consists of five dimensions of service marketing mix, company characteristics, brand characteristics, satisfaction and brand trust debtor. Based on this research, managerial implications that can be delivered are: In service marketing mix variables banks need to give emphasis to the process and physical indicators. Which is intended process is the process of credit ranging from filing, credit disbursement services, until the loan is paid off. Debtors do not like the process of micro-credit loans that are long-winded. In addition, micro-credit borrowers also pay attention to the speed of credit application submitted and the accuracy of the bank loan processing so that no mistakes are made of extra time the credit process. Credit process meant also related to the debtor service process when making installment payments, until the repayment process. The location is also considered a safe bank that needs to be emphasized in the implementation of service marketing mix variables. Debtors in the microcredit choose the banks with secure and affordable location of their business premises. Bank A has a large number of debtors who are spread all over

Indonesia. This makes the need to hold the office of Bank A service unit that much anyway. It is also anticipated by holding "Teras BRI" reaching more distant locations. Location banks are not only marked by its location near the location of the debtor is located, but where the banks need is felt to be near a debtor other than the physical form of the bank. Proximity question is how the debtor can easily interact and access the bank, be it to the location as well as through the help of media technology / virtual. The bank can maximize the use of ICT (Information, communication, Technology), such as a bank backed by the technology of mobile banking or internet banking, which the user can be accessed directly by the debtor, that the debtor does not need to come to the bank to make payment transactions for example.

Currently the mobile phone is already a common thing for small entrepreneurs. This is an opportunity for banks to make use of technology to better reach debtors. For example, not limited to the credit application process that uses smart phones as practiced by the Bank, but can be used also in an effort to maintain the debtor, such as sending short message services to push information maturity, the remaining installments, promotion of banking products even to propose an increase in credit. Increased use of information technology that can be used by the debtor have contributed useful in the bank's efforts are always present to the debtor. The use of technology can also be used to get the loan process is monitored, in order to avoid long-winded process which is not desired by the debtor. Through the bank's existence both physical and non-physical bank, micro-borrowers be loyal in choosing a bank to serve their needs. ICT is also used by Bank A low overhead by using satellites to reach the location and service to areas in Indonesia. With the satellite is expected to be assisted service given in terms of process, especially for people in far-reaching. Besides the valuation of the debtor on the physical condition of the banks also include, among other conditions of the room in the bank was comfortable, the number of teller / customer service is adequate, the reception area was clean and an information board that is in the bank can provide security and comfort to the debtor and provide satisfaction and on ultimately will increase the loyalty of the debtor.

In the company of variables characteristic, banks need to emphasize the company perceived value indicators and company integrity. This means that the bank needs to increase its direct interaction with the debtor, which the debtor is a community with characteristic micro Credence High in quality (quality evaluation is heavily influenced by the reputation, personal and subjective). By increasing direct interaction with the debtor's bank, will generate confidence in the banks and the bank is more considered able to understand the needs of micro borrowers. Micro-borrowers own needs associated with loans that are not limited to use for working capital, but also multipurpose. The results of the analysis of the characteristics of the respondents indicated that the intended use of credit micro borrowers vary not only used for working capital and to buy inventory as majority micro borrowers borrow money from the bank, but also the debtor to use it for remodeling the place of business, purchase or rental kiosks, even for domestic use, 60% of debtors use for working capital, 40% is used for different purposes. That is, these diverse that is needed to be captured by the bank micro-credit providers, and how to fit the needs of the debtor to the bank marketing strategy. For example, give a selection of products that suit the needs of the debtor. In the variable brand characteristic, the bank needs to

be emphasis on a holistic three indicators, namely brand reputation, brand predictability and brand competence. The increase in the third indicator characteristic brand will increase confidence in the brand, followed by the satisfaction of the debtor and the debtor's impact on increasing loyalty.

Banks need to make efforts to build a positive opinion of the public, so bring public confidence to use the credit in the bank. In building the bank's positive character, required the performance of the service and good products. That is, the bank needs to first understand the expectations of the debtor on the use of credit in the bank and try to meet those expectations. In an effort to meet the expectations of the debtor is required also force banks marketers and customer service that is reliable in digging up information from the debtor. Customer service acts as a mediator in information accommodate the debtor and the bank to meet the expectations of both the debtor and the debtor to help solve problems. Currently, the bank micro-credit market has not provided customer service, only Bank A already held in a customer service unit. The existence of customer service or person in charge as the bank information provider when needed is one that needs to be reviewed by other banks in order to raise brand characteristic indicators. Analysis of the characteristics of respondents indicated that micro-borrowers largely on the business sector and retail trade. The business sector is still a consideration for banks to extend credit and approve loan applications debtor. Need for banks to further study the characteristics of the other business sector as the target market lending. Business sector outside the wholesale and retail trade can become opportunities and improve the bank profit from the expansion of credit.

To be able to penetrate in the other economic sectors, banks also need to study the risk characteristics of each business sector and adjust lending policies. Expansion of the appropriate target market of potential business sectors in order to measure the growth of bank credit in the future. To support the banking activities in an effort to penetrate the market in the broader business sector, government (Bank of Indonesia) also need to do the data collection of the amount of merchants including micro-entrepreneurs in the economic sector. The implications are expected to provide input to the bank so that the objective of maintaining the debtor to remain loyal can be reached conformed to the expectations of management, as well as examine remediation efforts that can be done. Strategy priorities can be optimized by performing managerial implications.

### **Recommendation**

From results above, it can suggest a few things. For the management of Bank A, Bank B and Bank C, in order to give attention to and emphasis on variables that can increase loyalty debtor that service marketing mix, company characteristic, characteristic brand and satisfaction of the debtor to maintain the business, answer the climate challenge in the future of banking competition will come. The banks also need to make efforts to maintain performance indicators are good and improving variable and indicators are still low at the moment tend to be worth such as promotion, price, brand competences, tangible, and reliability. The Government through the Bank of Indonesia (BI) or the Financial Services Authority (FSA) needs to monitor and provide guidance to the bank micro-lenders to keep it running in accordance with the government's policies and targets that apply. The only study using variables

derived from the company's internal environment, for further research can include variable macro / external environment to understand more about micro loans by banks, such as economic conditions, government policies and programs, micro banks capital structure and other like. The research sample only to micro borrowers who have loans only, for further research can enter customer samples in addition to micro-loans have also had some savings, to be able to see the profile of correspondence and customer behavior. The research sample was not specialized on the debtor in certain economic sectors. For further research could focus on the debtor in economic sectors other than retail trade and a large majority of this research sample.

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