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THE INFLUENCE OF SERVICE QUALITY AND CUSTOMER TRUST TOWARD CUSTOMER LOYALTY: THE ROLE OF CUSTOMER SATISFACTION

Abstract: This study aims at investigating and testing the mediated effect of Customer Satisfaction on the influence of the Service Quality and Customer Trust toward Customer Loyalty. This research was conducted in the five biggest national foreign exchange private banks that are listed in the Indonesia Stock Exchange up to the period of 2014, with the total sample of 170 customers, where after the monetary crisis in 2008, the business of bank in Indonesia was faced with the issue of customer trust that eventually influenced the customer loyalty. In this study, the Structural Equation Model by AMOS was used to analyze the data. The results show high Goodness of Fit and the simultaneous and individual tests also generated significant results. The results of data analysis show that: (1) Service Quality significantly gives positive influence to Customer Satisfaction, (2) Customer Trust has significant and positive influence on Customer Satisfaction, (3) Service Quality does not significantly give positive influence to Customer Loyalty, (4) Customer Trust significantly gives positive influence to Customer Loyalty, and (5) Customer Satisfaction significantly gives positive influence to Customer Loyalty. Therefore, the mediated effect of Customer Satisfaction on the influence of Service Quality and Customer Trust toward Customer Loyalty has more strength compared to the direct influence of Service Quality and Customer Trust toward Customer Loyalty.

Keywords: Customer, satisfaction, trust, loyalty, Service, Quality

1. Introduction

1.1. Background

The rapid development of economy in Indonesia has given a positive influence to the services sectors including banking, because the people need banks as their business partners. The increasing need for banks' services has pushed banks to expand their new branches and new investors have also been interested in the business. The increasing number of banks has made customers more flexible in choosing the best banks that are believed to be able to give the customer satisfaction, so the management of the banks must provide appropriate service strategies to fulfill what customers want and need.

The fierce competition in the banking industry does not only occur in the lending

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rates but also in the saving and deposit interest rates and others. It, later, gives impact to the number of customers collected by the banks and also to the banks' assets. Based on the data issued by the Central Bank in www.bi.go.id (Statistik Perbankan Indonesia, 2015), it was shown that from January 2007 to November 2014, the number of national private foreign exchange banks grew by about 1% and the number of branches increased by an average of 9%. Furthermore, the number of saving accounts in March 2014 was 148,368,993 accounts, lower by 2,367,556 accounts when compared to the position in February 2014 which was about 150,736,549 accounts (Statistik Distribusi Simpanan Pada Bank Umum, Februari 2015, www.lps.go.id).

Table 1 contains the data issued by Otoritas Jasa Keuangan (OJK is The Indonesian state Institution that control and monitor Financial Sector or the Financial Services Authority, in 2014 that show the five biggest banks by assets.

Table 1. The Assets' Worths of Five National Private Foreign Exchange Banks per December 2014

Rank	Name of Bank	IDR. (Million)
1	PT BANK CENTRAL ASIA, Tbk	541,910,783
2	PT BANK CIMB NIAGA, Tbk	227,079,590
3	PT BANK DANAMON INDONESIA Tbk	163,092,396
4	PT BANK PERMATA, Tbk	185,090,675
5	PT PAN INDONESIA BANK, Tbk	159,007,636

Source: Otoritas Jasa Keuangan (OJK)

The growing number of banks and branches has made the products offered by the banks more diverse; on the other hand, the number of accounts has shown a decrease and so has the amount of money put in the saving. Banks need to know which dominant factor has influenced the phenomenon. The strategy in the provision of service quality is still used by the banks to retain the existing customers or to obtain new customers.

The Service Quality is very important in the banking business. Banks are increasingly competing to win the hearts of customers by relying on the quality of service. In addition to offering a wide range of products, improvements in terms of information technology, physical services as well as non-physical services, and a variety of excellent services are necessary to improve the quality of services.

It is more difficult for the customers to assess the service quality than the quality of the products, because the service quality, according to Parasuraman et al. (1988), is how far the difference between the reality and expectation of customers for the services that they receive.

According to the Chief Executive of the *"Lembaga Penjamin Simpanan" (LPS)*, Kartika Wiroatmodjo, in her article on *www.infobanknews.com*, the competition to collect the third-party's funds with heavy interest actually imposes banking. In addition, the competition that is happening now is using unreasonable costs. All are done to create trust and satisfaction, which are, in turn, expected to solicit funds from the public and create loyal customers. Customer Satisfaction has the most important role in the overall quality management (Kotler and Amstrong, 2012), while Trust is very crucial for the seller and the buyer to build relationship in order to obtain Customer Satisfaction, so the company can maintain Customer Loyalty (Mukherjee. A. and Nath, 2007).

The Customer Loyalty can be shown by the increasing number of accounts in each month. Below on the Table 2 is the recapitulation of the development of the customers in commercial banks.

Table 2. The Number of Accounts in Five National Foreign Exchange Private Banks

Month	Number of accounts	Growth
January	149.497.368	0,83%
February	150.736.549	-1,57%
March	148.368.993	1,48%
April	150.569.712	0,63%
May	151.524.433	0

Source: Lembaga Penjamin Simpanan (LPS

Based on the Table 2 above, we can see that the number of accounts was in turmoil. The data proved that the banking industry was facing the problem of Customer Loyalty.

This study was conducted in five national private foreign exchange banks in Jakarta. The reason underlying this research was the empirical phenomenon that the growth of branch offices could not increase the number of accounts and it became worse when the number of saving accounts was shrinking. The growth of branch offices also increased the competition among banks for winning the loyalty of existing customers or prospective customers, and the banks were also competing to improve their service quality in order to make the clients and potential clients entrust their properties to the bank.

1.2. Originality

This study is different from the study conducted by Bastos and Gallego (2008); Floh and Treiblmaier (2006), Caceres and Paparoidamis (2007), and Rahmani-Nejad et al. (2014), who had proven the direct effect of service quality and customer trust toward customer loyalty. It is also different from the study of Trif (2013) who had proven the direct influence of overall satisfaction and trust on customer loyalty. This study proposes a new empirical model about the causal relationship between the service quality and customer trust toward customer loyalty which is mediated by customer satisfaction which is indicated by Pleased, Contented, and Complacent. Furthermore, this study used Structural Equation Model (SEM) with AMOS software 22 version to uncover the latent construct.

The aim of this study is to analyze and determine the influence of service quality and customer trust toward the customer loyalty that is mediated by the customer satisfaction. Therefore, this study tries to find out and to answer the problems such as: (1) the influence of service quality to the customer satisfaction, (2) the influence of customer trust to the customer satisfaction, (3) the influence of service quality to the customer loyalty, (4) the influence of the customer trust to the customer loyalty, and (5) the influence of customer satisfaction to the customer loyalty.

2. Literature review

2.1. Services

The definition of services according to Lovelock and Wright (2007) in their book, Management and Service Marketing, is the act or performance offered by one party to another party. Although the process may be associated with physical product, its performance is basically not real and usually does not generate ownership of the factor of production. Producing services may not require the use of tangible goods. However, when such thing happens, then there will be no transfer to the title (permanent ownership) or review on these tangible goods. It can be concluded that intangible services essentially is the services that do not have right of ownership but can provide satisfaction, and in generating related services, may or may not be related to the physical product.

2.2. The Characteristics of Services

According to Kotler and Amstrong (2012) in their book, Marketing Mix and Consumer Loyalty, services has four main characteristics which are Intangibility, Inseparability, Perishability, and Variability. Those factors influence the design of marketing program. Intangibility causes consumers not be able to see, smell, feel, hear or feel the results of the services before they buy it. To reduce the uncertainty, consumers will look for information about these services, such as the location of the company, the providers and distributors of services, equipment and means of communication used and the prices of these services. The second characteristic, Inseparablity, means that services cannot be separated from its source, the service company which produces it. When services is produced, it will be consumed at the same time. If a consumer buys a service, he or she will directly deal with the source or provider of such service; therefore, direct sales with the limited scale of operation will be preferred. To solve this problem, the company can use several strategies, such as working in a large group, working faster, and training the services providers so that they can build Consumer Trust. The next characteristic, which is Variability, represents the fact that services is produced on consumer individual basis, so that there will not be two services that will be exactly the same. Thus, consumers are faced with uncertainty and certainly intend to reduce such level of risk. They usually seek advices from others, or choose services with sufficient guarantees. For companies the best way to reduce this inequality is to find and train the workers influencively. If the demand fluctuates, the company will face a difficult problem in the preparation of its services. It is necessary to do good planning, pricing, and promotion of appropriate program to address the mismatch between demand and supply of services.

2.3. Service Quality

Five dimensions in determining service quality according to Parasuraman et al. (1988) are Reliability, Assurance, Tangibility, Empathy, and Responsiveness. Reliability is defined as the company's ability to provide services accurately and reliably as what has been promised. The performance should be in accordance with customers' expectations, which means that it has punctuality and gives equal services to all customers with zero error, sympathetic attitude, and high accuracy. Assurance, knowledge, politeness and the ability of the company's employees to foster a sense of trust of the customers to the company. It includes several components, among others, communication, credibility, safety (security), competency and manners (courtesy). Competence itself is the skills and knowledge possessed by the employees to perform the services, while Manners include hospitality, attention and attitude of the employees. Credibility covers things that correlate with trust to companies such as reputation and achievement. Next dimension is Tangibility, which represents the appearance and the functions of physical infrastructure of the company; for example physical facilities such as a comfortable space with chairs provided for customers to sit, fixtures, and equipment used (technology) as well as the appearance of the employees. This is considered as a form of a company's ability to demonstrate its existence to external parties. In terms of Empathy, a company is expected to know and understand the customers, understand that customers' needs are specific, and have a comfortable operation for the customers in the form of providing genuine concern and the individual or individuals that is provided to customers by striving to understand the wishes of consumers. The last dimension, Responsiveness, is defined as a policy to assist and provide prompt service that is precise and responsive to customers with clear information delivery.

According to Kotler and Amstrong (2012), service is a product form that consists of activities, benefits or satisfaction offered for sale and is essentially intangible and does not generate ownership of something. Service quality is how far the difference between the real quality of service and the expectation of customers and difficult for consumers to assess service quality when compared to the quality of the product.

2.4. Trust

Sidershmukh et al. (2002) stated that Customer Trust is the hope of consumers to the service providers that they can credibly and reliably deliver what they have promised.

The sustainability of Customer Satisfaction is needed to build trust itself as a result of consistent satisfaction with individual transactions from time to time (Hess & Story, 2005).

In banking industry, Trust becomes an extremely important issue in building relationship between customer and bank where customer's property is stored or managed. According to Mukherjee and Nath (2003), Trust is very important as a foundation of partnership between buyers and sellers. In the marketing context, it is impossible to completely let go of the belief of satisfaction. Trust and satisfaction are strongly associated in relationship and some of the concepts of trust even include satisfaction as a component of trust (Sidershmukh et al., 2002; Sahadev & Purani, 2008).

2.5. Customer Satisfaction

All efforts made in the banking industry are solely to satisfy the needs and desires of the existing customers and prospective customers and, therefore, banks plan their marketing strategies to be compliant with such satisfaction.

According to Kotler and Amstrong (2012), Customer Satisfaction is the feeling of pleasure or disappointment perceived by someone which comes from a comparison between the impression of the performance of a product and the expectation of the person. In other words, satisfaction is the post-consumption evaluation, in which a selected alternative at least meets or even exceeds the expectation.

Customer Satisfaction plays the most important role in the overall quality management. Compared with other performance measures, Customer Satisfaction is probably less sensitive to seasonal fluctuations, changes of costs, or changes in accounting practices (Kotler & Amstrong, 2012). Therefore, many researchers consider Customer Satisfaction as the best indicator of the company's profits in the future.

2.6. Customer Loyalty

Oliver (1997) described the phases towards Customer Loyalty as Cognitive Loyalty, Affective Loyalty, and Action Loyalty. In Cognitive Loyalty phase, the information is available for consumers to encourage them to choose a brand among other brands. Affective Loyalty, the next phase, is based on the factor of affection. Loyalty is more difficult to be shifted because the loyalty that exists in the mind of consumers is not simply cognitive eye only. The last phase is the Action Loyalty. Intense, along with the motivation will lead to a situation where consumers would be prepared to act and have a desire to overcome the obstacle to act. Oliver (1997) proposed that the action phase is the final phase, where loyalty is sustained because of the commitment and inertia action.

Another scholar, Griffin (2006), stated that the characteristics of loyal customer are Doing repurchase regularly, Making a purchase of another product line of the same company, Giving recommendation or positive reference to others, Showing the consistency of the inducement of competitors or Being not easily affected by persuasive competitors.

Meanwhile, Rai and Medha (2013) described Customer Loyalty as the psychological character that is formed by the continuous customer satisfaction coupled with the emotional bond with the leading service provider to the state willingly and consistently be in a relationship with desire, protection with premium quality.

3. Methodology

3.1. Research design

According to Sekaran (2007), research design is a plan for selecting resources and data used for processing in order to answer the researcher's questions. The research design is a framework for detailing the relationships between the variables involved in the study. This research was conducted through survey research as a method of collecting primary data obtained from original source through questionnaires distributed to a sample of the population.

This explanatory research aims to test the causal relationship between dependent variables and independent variables. This study also aims to examine the influence of service quality and customer trust that is mediated by customer satisfaction in influencing customer loyalty.

3.2. Operational Variables

The variables in this study can be classified into:

1) Exogenous variables which are variables that are not predicted by other variables in the model (Ferdinand, 2006). Exogenous variables are known as source of dependent variables or independent variable. In this study, exogenous variables are the service quality and the customer trust. The Service quaility is indicated by Tangibility, Realibility, Responsiveness, Assurance, and Emphaty, while the Customer trust is indicated by Honesty, Integrity, Commitment, and Principle.

2) Endogenous variables are variables that are predicted by one or more other variables in the model (Ferdinand, 2006). There are two types of endogenous variables in this study; they are:

   a) Intervening endogenous variables which are variables that take influence when the exogenous variables affect the endogenous variables (Sekaran, 2007). In this study, the intervening variable is the Customer satisfaction. It is indicated by Pleased, Contented and Complacent.

   b) Dependent endogenous variable or Dependent variable. In this study, the dependent variable is the Customer Loyalty. It is indicated by Faithful, Continuous, Solidarity, Repeat, and Redone.

3.3. Baseline Regression

This study presents the regression of research analysis on the causal relationship between the service quality and the customer trust toward the customer loyalty, which is mediated by the customer satisfaction. The baseline model is defined as follow:

Customer Satisfaction = f(Service Quality) + f(Customer Trust) + e (1)

Customer Loyalty = f(Customer Satisfaction) + e (2)

3.4. Measurement of Scale

In the scale model of Rating Scale, respondents will not choose any of the answers that have been provided qualitatively, but will quantitatively choose one of the answers that have been provided from number 1 up to 10. Therefore, Rating

Scale is more flexible, not limited to the measurement of attitude but to measure the respondents' perceptions of other phenomena, such as scale to measure the socio-economic status, knowledge, abilities, and others. The advantage of the Rating Scale is its ability to interpret any given number on the alternative answers on each item.

3.5. Population and Sample

3.5.1. Population

According to Sugiyono (2010), the definition of population is a general region consisting of the object/subject that has certain quantity and characteristics defined by the researchers to be studied and then withdrawn. In this study, the population for the purpose of this study is the residents of the city of Jakarta who have active accounts in the five biggest banks by their assets. The size of the population was assumed about 67,575,800 accounts, based on the data from Otoritas Jasa Keuangan (2014), with the following calculation:

Total worth of assets of commercial banks (2013) = 2,719.56 billion rupiahs.

Total worth of assets of five biggest foreign exchange banks (2013) = 1,229.30 billion rupiahs = 45.202%.

45.202% x Total Number of Accounts in the Commercial Banks in the period of January 2014 = Population.

45.202% x 149,497,368 = 67,575,800 accounts.

3.5.2. Sample

Sample is a subset of a population that is made up of some members of the population. This subset is taken because in many cases, it is impossible to investigate all population members (Ferdinand, 2006).

This study used non-probability sampling which is a kind of purposive sampling**.** Purposive sampling, according to Sugiyono (2010), is a sampling technique which is

intentionally used with a particular consideration. In this study, the determination of the sample was put to the criteria of customers who have accounts in the five largest banks by assets in Jakarta. Since the total indicator was 34, the total sample in this study, then, was as many as 170 samples. This study didn't use the Slovin formula (Ferdinand, 2006) as the sample calculation, because if the formula was used to calculate the total sample, based on the population which was the account holders in the five biggest national private foreign exchange banks by assets in Jakarta which totaled about 67,575,800 accounts, then the total sample would be:

$$n = \frac{N}{1 + Ne^2}$$
$$n = \frac{67,575,800}{(1 + 67,575,800 x 0.05^2)}$$
$$n = 400$$

With the total samples of 400, the maximum likelihood method on the Goodness of Fit test would not be influencial or would be bias because the sample size was $\geq$ 200 (Ferdinand, 2006).

3.6. Data source

The type of data used was primary data. The primary data are generated by the researchers in order to specifically address particular research questions (Malhotra, 2010). To obtain the primary data, this study used questionnaire as a tool for data collection.

This study used questionnaire measurement technique using the scale of "agree up to disagree". Using this scale, the researchers developed questions that generated points that represents customers' perceptions from "agree" to "disagree" in various vulnerable values. The scale used to measure the interval value is from 1 to 10, where the lowest value indicates strongly disagree scale and the highest value point shows the scale of strongly agree. Sources of data were obtained from the customers of the five largest national

private foreign exchange banks in Jakarta by their worth of assets. The customers had to have active accounts within the residence area of Jakarta. Active means that the customers had and used the products and facilities provided by the banks including the still trading and have saving.

3.7. Analysis Techniques

Research requires analysis and interpretation of data that will be used to answer the research questions to reveal certain phenomena; therefore, data analysis is the process of simplifying data into a form that is easier to read and interpreted. This study used quantitative analysis. Perceptions of respondents were qualitative data that would be measured by rating scale so that the results would be in the form of numbers. Furthermore, figures or scores were processed with statistical method. This method of measurement is to simplify the

process of data analysis.

The research model that was used in this research was the tiered structure model and to test the hypothesis, it used the analysis technique of Structural Equation Model (SEM) which was operated through the software program of AMOS 22. The reason why this study used SEM was because it is considered as a set of statistical technique that enables the testing of a set of relationships that are relatively "complex" simultaneously.

4. Result and Discussion

4.1. Testing Model

Table 3 contains the coefficient normal chi-square, while Table 4 contains the coefficient of Goodness of Fit Index which proves that this model can be used to predict the influence between variables.

Table 3. Output CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	73	157.557	80	.000	1.969
Saturated model	153	.000	0		
Independence model	17	9860.289	136	.000	72.502

Table 4. Goodness of Fit Index

Goodness of Fit Indeks	Cut of Value	Result	Evaluation Model
NFI	> 0. 90	0.984	Fit
RFI	> 0. 90	0.973	Fit
IFI	> 0. 90	0.992	Fit
TLI	> 0. 90	0.986	Fit
CFI	> 0. 90	0.992	Fit
AGFI	> 0. 90	0.824	Marginal Fit
GFI	> 0. 90	0.908	Fit
RMSEA	< 0. 08	0.076	Fit

Source: Output Amos 22.00

Notes :
Symbol " > " meaning Over or more than
Symbol " < " meaning Under or Less than

This model is said to be fit if it has a value of chi-square (P) over 0.05, which means that there is no difference between the observed

covariance metric input and the model predicted. Therefore, chi-square value is not expected to significantly so that the proposed

model fit or fit to the observed data. It will display the chi-square value (cmin), the probability value (p), and a large degree of freedom (df).

Hypothesis test against this model shows that this model fits the data or fit to the data available as seen in the level of significance of the chi-square which is equal 157.557. We can also see that this model does not fit with the value of (P) 0.000 because the chi-square value is very conservative and relies on the large number of samples, and it will cause an error (rejecting the correct model), so it is advisable to be able to see the other fit index.

CMIN / DF or often called normal chi-square is fit index criteria. The grade of CMIN / DF is a measure that is derived from the value of chi-square divided by the degree of freedom. The acceptable grade of CMIN / DF is under or equal 2 and if under 1, it can be concluded that the model is very fit. From the table, it can be concluded that the output of the model fit to the value of CMIN / DF which equals 1.969 or under 2.

NFI (Normal Fit Index) or also called Delta 1 is a fit measurement index; NFI is the comparison size between the proposed model with the null model. NFI tends to debase fit on the use of small samples. From the results above, it can be seen that the output value of NFI was 0.984 which is > 0.90 and it can concluded that the model fit.

RFI (**Relative Fit Index**) or also called Rho1 is a measure of fit **index** that is almost the same as the NFI. From the results above, it can be seen that the output value of NFI is 0.973 which was > 0.90 and it can be concluded that the model fit.

IFI (Incremental Fit Index) or also called as Delta 2 is a fit measurement index that is almost the same **size** with NFI, but IFI is not affected by the size of the output sample. According to the output above, it can be seen that the 0.992 IFI value is > 0.90 and it is concluded that the model fit.

TLI (Tucker Lewis index) or also called as Rho 2, is one of the indexes that do not fit the size of the affected sample. According to

output results above, it can be seen that the 0.986 IFI value is > 0.90 and it is concluded that the model fit.

CFI (Comparative Fit Index) is a measure of comparison between the proposed model with the null model. CFI is an improvement of NFI thus not affected by sample size and an excellent fit measure to measure the suitability of a model. From the results above, it can be seen that the output value of CFI is 0.992> which is over 0.90 and it is concluded that the model fit.

GFI (Goodness of Fit Index) rose with the command \GFI and the value ranges from 0-. Higher values are better. GFI ≥ 0.9 is good-fit, while 0.80 ≤ 0.90 ≤ GFI is marginal fit. According to the output results above, it can be seen that the value of GFI is 0.908> 0.90 and it is concluded that the model fit.

AGFI (Adjusted Goodness of Fit Index)

Raised with the command \AGFI and the value ranges from 0-1; higher values are better. AGFI ≥ 0.9 is a good-fit, being 0.8 ≤ 0.90 ≤ AGFI is marginal fit. From the results it can be seen that the output above 0824 AGFI value is <0.90 and it is concluded that the model marginal fit.

RMSEA (Root Mean Square Error of Approximation) is a measure of the fit of the most popular and widely used by the researchers in the field of SEM. This is because the value of RMSEA does not go over or under the estimation or depend on the large number of samples. RMSEA values ranging ≤ 0.06 to 0.08 indicates fairly good fit model, but if the value is above 1.00 RMSEA indicates that the model needs to be fixed. From the results, it can be concluded that the output of the model is quite fit with RMSEA value 0.076 <0.08.

4.2. Hypothesis testing

Results of SEM analysis with AMOS program can be seen in Figure 1 that describes the influence of independence variables on dependence variables.

Table 5 proves coeficient estimation of how the influence between varibles independence on varibles dependence.

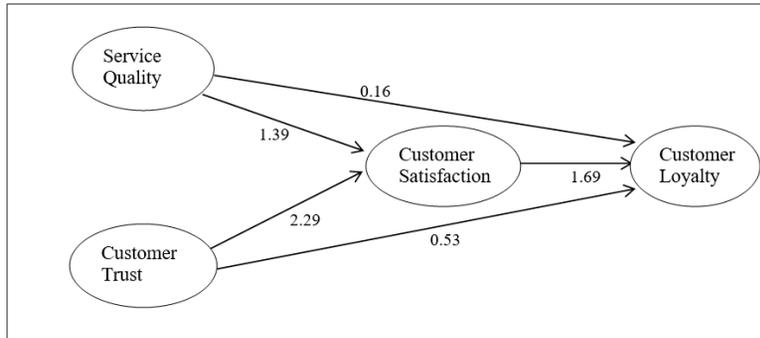Table 6 shows loading factor or how strongly all indicators build variables independence or varibles dependence.

Figure 1. Pictograph the influence of Service Quality, Customer Trust to Customer Loyalty mediated by Customer Satisfaction

Table 5. Coeficient estimation of influence between variables

			Estimate	S.E.	C.R.	P
Customer Loyalty	<---	Service Quality	0.162	0.123	1.318	0.188
Customer Satisfaction	<---	Service Quality	1.395	0.149	9.332	***
Customer Loyalty	<---	Customer Trust	0.529	0.183	2.898	0.004
Customer Satisfaction	<---	Customer Trust	2.291	0.17	13.47	***
Customer Loyalty	<---	Customer Satisfaction	1.692	0.165	10.225	***

Source: Output Amos 22.00

Indicators			Estimate	S.E.	C.R.	P	Label
X5	<---	Service Quality	1.000				
X4	<---	Service Quality	.954	.016	58.921	***	
X3	<---	Service Quality	1.119	.020	56.552	***	
X2	<---	Service Quality	1.007	.017	60.766	***	
X1	<---	Service Quality	1.177	.025	46.304	***	
Y4	<---	Customer Loyalty	1.000				
Y5	<---	Customer Loyalty	.550	.038	14.566	***	
Y6	<---	Customer Loyalty	.570	.039	14.774	***	
Y7	<---	Customer Loyalty	.565	.039	14.659	***	
Y8	<---	Customer Loyalty	.544	.037	14.608	***	
X9	<---	Customer Trust	1.000				
X8	<---	Customer Trust	.938	.021	45.474	***	
X7	<---	Customer Trust	.938	.020	46.118	***	
X6	<---	Customer Trust	1.085	.022	50.006	***	
Y3	<---	Customer Satisfaction	1.000				
Y2	<---	Customer Satisfaction	1.331	.033	40.199	***	
Y1	<---	Customer Satisfaction	1.276	.029	44.079	***	

Source: Output Amos 22.00

Based on Figure 1, Table 5 and Table 6, the authors describe the hypotheses testing, as follow:

HYPOTHESIS – 1 *(H1): Service quality has positive and significant influence to customer satisfaction*

Estimation parameter of the relationship between the two variables is 1.395. The testing shows significant results with the value of CR = 9.332 with probability = 0.000 which is below 0.05; thus, the quality of services has positive influence and significant on customer satisfaction.

According to Appendix – 2, the results have proven that all indicators, Tangibility, Reliability, Responsiveness, Assurance, and Emphaty, have high loading factor which is more than 0.50 (Hair et al., 2010). It means that all indicators are significant as an indicator of variabel of service quality that influence to customer satisfaction.

This results support the study of Shin Yuan Hung (2014) who proved that service quality has positive affect on customer satisfaction. These results also agree with Kotler and Amstrong (2012) who stated that satisfaction and dissatisfaction can arise in the minds of consumers when the consumer to compare the performance of providers of products with the performance expected by consumers. Maintaining satisfied customers is cheaper than an effort to continually attract new customers.

HYPOTHESIS – 2 *(H2): Customer trust has positive and significant influence on customer satisfaction*

Parameter estimation of the relationship between the two variables was obtained for 2.291. Tests showed significant results with the value of CR = 13.47 with probability = 0.000 below 0.05; thus, customer trust has positive influence and significant on customer satisfaction.

According to Appendix – 2, the result proved that all indicators, Honesty, Integrity, Commitment, Principle, have high loading factor more than 0.50 (Hair et al., 2010). It

means that all of them are significant as the indicators of customer trust variable that influence customer satisfaction.

These results support the Carlander et al. (2011), Kim and Han (2008) which have proven the positive and significant influence between trust and customer loyalty. Trust and satisfaction are strongly associated in their relationship and some of the concepts of trust even include satisfaction as a component of trust (Sidershmukh et al., 2002; Sahadev and Purani, 2008).

HYPOTHESIS – 3 *(H3): The service quality has positive and significant influence on customer loyalty*

The estimation parameter of the relationship between the two variables is 0.162. The testing show significant results with the value of CR = 1.318 with probability = 0.188 which is above 0.05; thereby, the quality of services has positive influence but not significant on customer loyalty.

According to Appendix – 2, the results have proven that all indicators, Tangibility, Realibility, Responsiveness, Assurance, and Emphaty, have high loading factor more than 0.50 (Hair et al., 2010). It means that all indicators are significant but not significant indicators of variabel of service quality that influence customer loyalty.

These results support Bastos and Gallego (2008) and Hidayat (2009) who stated that there is no significant direct influence of the service quality in the formation of customer loyalty. Bank functions as an agent of service, an institution which provides services to the public. In this case, the bank provides banking services to the public so that people feel safe and comfortable in storing their funds. The services offered by this bank is very closely related to the economic activities of society in general.

HYPOTHESIS – 4 *(H4): Customer trust has positive and significant influence on customer loyalty*

The estimation parameter of the relationship between the two variables is 0.529. The

testing shows significant results with the value of CR = 2.898 with probability = 0.004 which is below 0.05; thus, the customers' trust has positive influence and significant on customer loyalty.

According to Appendix − 2, the results have proven that all indicators, Honesty, Integrity, Commitment, Principle, have high loading factor which is more than 0.50 (Hair et al., 2010). It means that all indicators are significant as indicators of variabel customer trust that influence to customer loyalty.

These results support the research Floh and Treiblmaier (2006) and Caceres and Paparoidamis (2007), Trif (2013) and Rahmani-Nejad et al. (2014) who also revealed the same thing that the trust is proven to have a significant influence on customer loyalty. Bank functions as an agent of the trust, an institution that is based on trust. The main point of bank's activities is about trust, **both as an agent of fund collection and disbursement**. In this case, people are willing to keep their money in the bank based on trust.

HYPOTHESIS − 5 *(H5): Customer satisfaction has positive and significant influence to customer loyalty*

The estimation parameter of the relationship between the two variables is 1.692. The testing shows significant results with the value of CR = 10.225 with probability = 0.000 which is below 0.05; thus, customer satisfaction has positive influence and significant on customer loyalty.

According to Appendix − 2, the results have proven that all indicators, Pleased, Contented, Complacent, have high loading factor which is more than 0.50 (Hair et al., 2010). It means that all indicators are significant indicators of variabel of customer satisfaction that influence to customer loyalty

These results support the findings of Lo Liang et al. (2010), Trif (2013) who revealed a significant influence of customer satisfaction toward customer loyalty.

5. Conclusion

The empirical results of this study help us understand a new model about the causal relationship betwen service quality, customer trust, and customer loyalty that is mediated by customer satisfaction in the five biggest Foreign Exchange banks listed in Indonesia. The study has drawn five conclusions. **First**, there is a positive and significant influence that service quality gives to customer satisfaction; thus, the higher the service quality, the higher the customer satisfaction. It means that hyphothesis -1 is accepted and answers the question no.1. **Second**, there is a positive and significant influence between customer trust and the customer satisfaction; thus, higher customer trust will increase customer satisfaction. It means that Hyphothesis -2 is accepted and answers the question no.2. **Third**, there is a positive influence but not significant between service quality and customer loyalty. It means that Hyphothesis -3 is rejected and then answer the question no.3. **Fourth,** there is a positive and significant influence between customer trust and customer loyalty; thus, higher customer trust will incrrease customer loyalty. It means that Hyphothesis - 4 is accepted and answers the question no.4. **Fifth,** there is a positive and significant relationship between customer satisfaction and customer loyalty; thus, the higher the customer loyalty, the more the customer satisfaction. It means that Hyphothesis -5 is accepted and answers the question no.5. Finally, we may conclude that service quality directly has positive influence on customer loyalty but not significant, and therefore, the service quality should be mediated by customer satisfaction to establish customer loyalty.

This study offers some implications for practitioners of banks in enhancing customer loyalty. First, the banks have to keep improving their quality of services with the aim of increasing customer satisfaction, which in turn forms the customer loyalty. The customer satisfaction is indicated with

Pleased, Contented and Complacent. Second, given the positive influence between customer trust in the customer loyalty and customer satisfaction, the banks will, then, be able to further increase customer trust in order to form satisfaction and loyalty in the minds of customers. Customer trust is indicated with Honesty, Integrity, Commitment and Principle. Third, the results have indicated the influence of customer satisfaction on customer loyalty which means that banks can constantly maintain their customer satisfaction, is met for the establishment of customer loyalty that is indicated with Faithfulness, Continuousity, Solidarity, Repetition and Redone.

Several limitations should be acknowledged and considered for future research, although this study has provided significant results for the banks. **First**, this study only examined the scope of five biggest national foreign exchange private banks by assets; therefore, the next study is expected to compare the variables in a larger scope, such as ten biggest even all national banks in Indonesia. **Second**, the variables used cover only the quality of services, customer trust in relation to customer loyalty and customer satisfaction is only as an intervening variable. The next researcher, then, can add other variables such as brand image and corporate social responsibilities in order to expand the study.

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