The Effect of Product Quality and Service Quality on Multi Purpose Loan Credit (KMG) Customer Satisfaction of Customs in Bank Sumut of Iskandar Muda Branch

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ABSTRACT

The purpose of this study was to determine the Effect of Product Quality and Service Quality on Customer Satisfaction of Multi-Purpose Credit PT Bank Sumut Branch Iskandar Muda, Medan, Indonesia. This type of research is a correlational descriptive study. The population in this study with respect to the object of research is Multi-Purpose Credit customers who are still active in PT Bank Sumut Iskandar Muda Branch totaling 317 customers. By using the Slovin formula the selected sample of 177 respondents. The analytical tool used is multiple regression analysis. The results show that product quality is partially positive and significant effect on customer satisfaction and service quality is the most dominant variable in determining customer satisfaction. Service quality is partially positive and significant effect on customer satisfaction. Product quality and service quality simultaneously have a positive and significant effect on customer satisfaction.

Keywords: product quality, service quality, customer satisfaction.

1. INTRODUCTION

Bank Sumut is a Regional Development Bank located in North Sumatra, which was established in 1961 with more than 1 million customers spread across North Sumatra, Nias Island, Jakarta Region and Batam Island. PT Bank Sumut has a variety of products that support to meet market demand, namely Funding and Lending. One of the mainstay products of PT Bank Sumut in credit is Multi-Purpose Loans, namely installment loans to meet the needs of employees who have a steady income for various purposes such as school fees, home improvement costs, medical expenses, buying necessities and for opening up a side business. with attractive interest, easy and fast process. The Multi-Purpose Credit Facility is intended for employees Government Offices/Agencies/ Institutions, BUMN, BUMD and National Private companies whose salary payments are through or not through Sumut Bank (www.banksumut.com, 2016). Multi-use loans only use employee decree (SK) as collateral, while the amount of credit is adjusted to the base salary received at the agency or company where it works. The banking business competition regarding Multi-Purpose Loans is so tight, that each channeling bank has its own superior program, including the provision of interest rates (Syahyunan et al., 2017 and Erwin et al., 2018). The following is a list of multi-use credit interest rates for several competing banks shown in Table 1:

Table 1. List of Interest Rates for Multi-Purpose Loans in 2016

No	Name of Bank	Interest Rates
1	Bank of Sumut	9.6 %
2	Bank of Aceh	9.6 %
3	Bank of BJB	8.4 %
4	Bank of Mandiri	10.9%
5	Bank of BRI	9.6 %
6.	Bank of BNI	12.5 %
7.	Bank of Syariah Mandiri	8.6 %

Source: PT Bank Sumut Iskandar Muda Branch, 2016

From Table 1 the data is obtained that the interest rates given by competitor banks are not much different from the interest rates given by PT Bank Sumut, but the achievement of lending and the number of customers always decreases from 2012-2016. This is of concern to PT Bank Sumut Iskandar Branch Young because in terms of business, Multi-Use Credit products can compete with similar products of competing banks. The following are data on the achievement of credit and the number of customers of Multi-Purpose Loans of PT Bank Sumut Iskandar Muda Branch from 2012-2016 shown in Table 2:

TABLE 2. Data on Achievements and Number of Customers and Multi-Purpose Loans PT Bank Sumut Branch Iskandar Muda in 2012 to 2016

No	Years	Achievement (Rp 000)	Target (Rp 000)	Achievement (%)
1.	2012	25.810.508,-	26.760.876,-	96
2.	2013	24.044.505,-	24.809.940,-	97
3.	2014	24.046.217,-	24.755.450,-	97
4.	2015	25.377.890,-	26.059.512,-	97
5.	2016	26.153.617,-	26.33.617,-	98

Source: PT Bank Sumut Iskandar Muda Branch, 2016

From Table 2 it can be seen that there was a significant decrease in the number of customers in the 2012-2016 period. The graph of the number of customers using Multi-Purpose Loans of PT Bank Sumut Iskandar Muda Branch for the period 2012-2016 is shown in Figure 1:
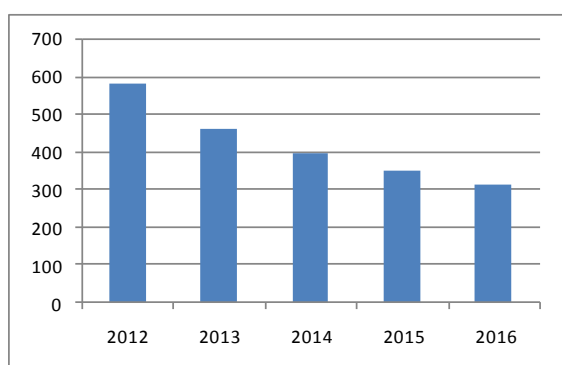

Figure 1. Graph of Number of Multi-Purpose Loan Customers of PT. Sumut Iskandar Muda Branch in 2012 to 2016

Figure 1 shows the decrease in the number of customers from 2012-2016. This has an impact on not achieving Multi Purpose Loans at PT Bank Sumut Iskandar Muda Branch. The following is the target data and achievements of PT. Bank Sumut Iskandar Muda Branch Multi-Purpose Loans from 2012-2016 can be seen that there is a gap between the target to be achieved and the realization of the Multi Purpose Credit product of PT Bank Sumut Iskandar Muda Branch. Efforts to improve product quality have been carried out by PT Bank Sumut, such as in 2013 concerning a reduction in interest rates from 12% to 10% (Directors' Decree No: 078/Dir/ SK/KMG/2013), then a reduction in interest rates again in 2015 from 10% to 9.6% (Directors' Decree No: 207/Dir/SK /KMG /2015). The quality of service has also always been improved by PT Bank Sumut, as in 2014 regarding the provision of Multi-Purpose Credit facilities to agency employees whose salary payments were not through PT Bank Sumut and installment payments can be made by direct pick-up by PT Bank Sumut employees, so customers no longer need come to PT Bank Sumut (Directors' Decree No: 115/Dir/SK/KMG/2014). Efforts to improve product quality and service quality that have been carried out by PT Bank Sumut have always been oriented to customer satisfaction, but during the period of 2012 to 2016 the distribution target never reached the target and the decline in the number of customers continued to occur. This phenomenon raises the question, whether the improvement in product quality and service quality that has been carried out by PT Bank Sumut affects customer satisfaction in Multi-Purpose Loans at PT Bank Sumut Branch Iskandar Muda.

2. LITERATURE REVIEW
2.1. Product Quality Theory

Song et al (2019) states that a product is anything that a producer can offer to be considered, requested, sought, bought, used, and consumed by the market as an effort to fulfill the needs and desires of the relevant market. According to Sinungan (2000), states that bank products consist of:
1. Savings, namely funds entrusted by the public to banks whose withdrawals can only be made according to certain

agreed conditions that cannot be withdrawn by check.
2. Demand deposits are third party deposits at banks whose withdrawals can be made at any time by using checks, other payment orders or by book-entry.
3. Deposits, namely third party deposits at banks whose withdrawals can only be made within a certain period according to the agreement between the third party and the bank concerned.
4. Credit is the provision of billable money which can be equaled, based on an agreement or loan agreement between the bank and another party that requires the borrower to repay the debt after a certain period of time with interest.

Product quality is a major competitive factor in determining the success and sustainability of a company (Ernst and Haar, 2019). Some opinions about the definition of product quality, namely: Everything that can be offered into the market to be considered, owned, used or consumed so that it can satisfy a desire/all needs to consume it (Kotler and Keller, 2012)
1. Product quality is the overall characteristics and nature of a product that affects the ability to satisfy expressed or implied needs (Muñoz et al, 2019)
2. Product quality is the overall evaluation of the customer regarding the superior performance of an item or service. Bustinza et al, 2019)
3. Quality as the expected level of quality and diversity control in achieving the quality to meet consumer needs (Yang et al, 2019).
4. Product quality is the suitability of product use to meet customer needs and satisfaction (Hussain, 2009).
5. Product quality is the suitability of the product with market or customer needs. Companies must really understand what customers need for a product that will be produced (Annarelli et al, 2019).

Based on the understanding of some of the experts mentioned above, it can be concluded that the quality of the product is the overall goods and services related to the desires of consumers who have superiority and are fit for consumption as expected by the customer. Customers always make an assessment of the performance of a product, this can be seen from the product's ability to create quality products with all its specifications so that it can attract customers to make purchases of the product, it can be said that the quality of a product can affect customer satisfaction with the product offered.

3. METHODS

This type of research is a descriptive correlational research that is research conducted with the aim of detecting the extent to which variations in a factor are related to one or more other factors based on the correlation coefficient (Sinulingga, 2014). The population in this study regarding the object of research is Multi-Purpose Credit customers who are still active in PT Bank Sumut Iskandar Muda Branch in 2016 amounted to 317 customers. The sample is a portion of the total population owned by that population (Sekaran, 2006, Muda et al., 2014). The sampling method used is simple random sampling, which is taking sample members from the population randomly without regard to strata in the population (Yang et al, 2019). All respondents are treated equally in the sense that all have the same chosen opportunity even though the characteristics of each respondent are not the same (Sinulingga, 2014, Muda et al., 2016 and Sadalia et al., 2018). Based on the results of calculations through an approach made using the Slovin method formula above, the researchers used a sample of 177 Multi-Purpose Credit customers of PT Bank of North Sumatra Iskandar Muda Branch as respondents. This analysis is used to determine whether there is a positive influence of the independent variables (X1, X2) on the dependent variable (Y) with the regression model as follows (Chen and Liu, 2019):

$$Y = a + b_1X_1 + b_2X_2 + e$$

Where :

Y   = customer satisfaction
a   = Constanta
X_1 = product quality
X_2 = service quality
E = *error*

4. RESULT AND DISCUSSION
4.1. Result

Descriptive data is displaying a general description of the respondents' answers to questions or statements contained in the questionnaire (closed). Explanation of data through descriptive statistics is expected to provide an initial overview of the problem under study. Information about descriptive statistics can be seen in Table 3 below:

Table 3. Results of Descriptive Statistics Calculation

	N	Minimum	Maximum	Mean	Std. Deviation
product quality	177	53	84	68,76	6,752
service quality	177	29	49	40,54	4,346
customer satisfaction	177	31	49	40,76	4,594
Valid N (listwise)	177				

Source: Data processed with SPSS.

Based on Table 4 product quality variables have an average value (mean) of 68.76 with a minimum value of 53 and a maximum value of 84. The service quality variable has an average value (mean) of 40.54 with a minimum value of 29 and a maximum value of 49. Customer Satisfaction Variable has an average value (mean) of 40.76 with a minimum value of 31 and a maximum value of 49 with a number of observations on each variable of 177 data. The research model is in the following Table 4 as a follows :

Table 4. *t* Test Results used in the regression model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3,375	2,265		1,490	,138		
	Kualitas Produk	,315	,051	,463	6,151	,000	,392	2,551
	Kualitas Pelayanan	,388	,080	,367	4,880	,000	,392	2,551

a. Dependent Variable: customer satisfaction
Source: Data processed with SPSS.

Based on the Table 4, it can be seen that the multiple linear regression equation used is:

$$Y = 3,375 + 0.315X_1 + 0,388X_2$$

From the results of the regression equation, each variable can be interpreted as follows:

1. A constant value of 3,357, means that if all independent variables namely Product Quality and Service Quality are 0 (zero) and there is no change, then customer satisfaction will be valued at 3,375

2. Product Quality Value of 0.315, meaning that if Product Quality has increased by 1 or getting better while other independent variables are constant, then Customer Satisfaction increases by 0.351.

3. Service Quality Value of 0.388, means that if Service Quality has increased by 1 or getting better while other independent variables are constant, then Customer Satisfaction increases by 0.388.

Product Quality Variable (X1) obtains a Tcount of 6,151 and a significance value of 0,000, a Service Quality variable (X2) obtains a Tcount of 4,880 and a significance value of 0,000, then it can be concluded that both variables have a significance value <0.05 and a T*count* Value> T*table* (T*table* (1,973) so that H1 and H2 are accepted, meaning that product quality partially has a positive and significant effect on Customer Satisfaction and service quality partially has a positive and significant effect on Customer Satisfaction. For the variable that has the greatest coefficient value is service quality of 0.388, thus it can be concluded that the

most dominant variable affecting customer satisfaction is service quality. The coefficient of determination (R2) can be seen in the following Table 5:

Table 5. Determination Coefficient Value

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1	,784ª	,614	,609	2,871

a. Predictors : (Constant), product quality, service quality
b. Dependent variable : customer satisfaction

From the Table 5, the adjusted R2 value of 0.609 is obtained, which means that the independent variable consisting of Product Quality (X1) and Service Quality Variable (X2) affects customer satisfaction by 60.9%, the remaining 38.1% is influenced by other factors outside this research model (error term).

4.2. DISCUSSION

The first hypothesis (H1) states that product quality partially has a positive and significant effect on customer satisfaction, or in other words H1 is accepted or valid. Theoretically, product quality is everything that can be offered to the market to be considered, owned, used or consumed so that it can satisfy a desire/all needs to consume it (Kotler and Keller, 2012). Good product quality will affect customer perceptions. At the same time it will affect customer satisfaction. Product quality is an important thing that must be sought by every company if it wants to be produced can compete in the market to satisfy the needs and desires of customers. Product Quality regression coefficient value is 0.315, meaning that if the Product Quality has increased by 1 or getting better while the other independent variables are constant, then Customer Satisfaction increases by 0.315. From the results of the first partial hypothesis statement, the researcher concludes that the better the Product Quality provided to the customer, the higher the level of satisfaction the customer feels. Conversely, the worse the product quality given to the customer, the lower the level of satisfaction felt by the customer. The hypothesis developed in this study

reinforces the justification of Chien (2019) and Hallencreutz and Parmler, (2019) and previous research from Afthanorhan et al., (2019).

The second hypothesis (H2) states that service quality is partially positive and significant effect on customer satisfaction, or in other words H2 is accepted or valid. Theoretically Service quality is the expected level of excellence and control over the level of excellence is to meet customer desires (Zeithaml and Bitner, 2008). The concept of service quality basically provides a concrete perception of the quality of a service. The concept of service quality is a revolution that is whole, permanent in changing the way people look at running or making efforts related to dynamic processes, ongoing, continuously in meeting their hopes, desires and needs. Service Quality regression coefficient value of 0.388, means that if Product Quality has increased by 1 or getting better while other independent variables are constant, then Customer Satisfaction increases by 0.388. From the results of the second partial hypothesis statement, the researcher concludes that the better the Quality of Service provided to the customer, the higher the level of satisfaction the customer feels. Conversely, the worse the product quality given to customers, the lower the level of satisfaction felt by customers. The hypothesis developed in this study reinforces the justification of Kotler and Keller and Armstrong (2010) and previous research from Edyansyah (2014). The third hypothesis (H3) states that product quality and service quality simultaneously have a positive and significant effect on customer satisfaction, or in other words H3 is accepted or valid. Theoretically, product quality and service quality are very important aspects in efforts to achieve customer satisfaction, where if both are achieved, the company will become a leader in their respective fields. The competition that always arises in the banking business encourages the emergence of new thoughts that can build product quality and service quality that provide more value in creating

customer satisfaction. The influence of product quality and service quality affects 60.9% achievement of customer satisfaction, where service quality is the most dominant variable in influencing customer satisfaction. From the results of the simultaneous hypothesis statement, the researcher concluded that the better the Product Quality and Service Quality provided to the customer, the higher the level of customer satisfaction felt. Conversely, the worse the Product Quality and Service Quality provided to customers, the lower the level of Satisfaction perceived by customers. The hypothesis developed in this study reinforces the justification of Qurtuby (2014) and previous research research from Suputra and Mandala (2014).

5. CONCLUSSION

1. Product quality is partially positive and significant effect on customer satisfaction and service quality is the most dominant variable in determining customer satisfaction

2. Service quality is partially positive and significant effect on customer satisfaction

3. Product quality and service quality simultaneously have a positive and significant effect on customer satisfaction. Product quality and service quality affect customer satisfaction by 60.9% while the remaining 38.1% is influenced by other factors outside this research model (error term).

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