



The Influence of Service Quality, Business Capacity Development Programs, and Word of Mouth on Customer Satisfaction and Loyalty of Mekaar Permodalan Nasional Madani Customers in Bandung Branch

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ABSTRACT

To improve service quality, PNM innovated by launching the Business Capacity Development (PKU) program. PNM also empowers existing customers to attract new prospective customers through Word of Mouth. There are two analysis methods used, namely outer model analysis with Convergent Validity, Discriminant Validity, Composite Reliability, Cronbach's Alpha and using inner model analysis with Hypothesis Test. Outcome from this study are Customer Satisfaction affecting Customer Loyalty. Service positively and insignificant affecting on Customer Loyalty. The PKU program not affecting Customer Loyalty. WOM positively and insignificant affecting on Customer Loyalty. Service quality affecting customer satisfaction. PKU program not affecting customer satisfaction. WOM has a significant positive effect on Customer Satisfaction

INTRODUCTION

Word of Mouth marketing strategy can make customers voluntarily provide testimonials of the advantage being a Mekaar customer and this strategy is considered quite effective for growing PNM customers, especially those in urban areas such as Medan, Semarang, Surabaya, Jakarta, and Bandung.

PT PNM Bandung Branch was established in February 2000. The coverage area includes 2 regencies/cities, namely Bandung City and Bandung Regency, and oversees 2 Regional Mekaar (Membina Ekonomi Keluarga Sejahtera), namely Bandung Region 2 and Bandung Region 3.

In 2021 the total disbursement of Mekaar financing (net lending) reached 870.4 billion with 244,173 customers. In 2022 the total disbursement reached 1.1 trillion with 298,418 customers. For more details can be seen in Table 1.1 below:

Table 1. Distribution of Mekaar Branch Bandung in 2021-2022

Region	2021		2022		% Kenaikan	
	NOA	Plafond	NOA	Plafond	NOA	Plafond
Bandung 2	116.837	433.203.820.963	143.560	577.987.637.978	123%	133%
Bandung 3	125.451	434.761.735.518	153.010	614.923.695.780	122%	141%
Total	242.288	867.965.556.481	296.570	1.192.911.333.758	122%	137%

NOA: Number of Accounts (Number of Customers)

Plafond: Amount of Disbursement

Source: Bandung Branch Annual Report 2022

The data in Table 1 shows that in 2022 there was an increase in the amount of financing by 138% and the amount of distribution to customers by 122% compared to 2021. The same thing can also be seen in table 1.2 that the number of Business Capacity Development Trainings in 2022 also increased from 85 trainings in 2021 to 207 trainings in 2022 or an increase of 2,348%. The number of PKU training participants also experienced a very significant increase, namely 11,102 training participants compared to 2021 of 207 participants or an increase of 5,363%.

Table 2. PKU Bandung Branch Training 2021 - 2022

	2021	2022	% Increase
Total Training	85	1.996	2348%
Total Participant	207	11.102	5363%

Source: Bandung Branch Annual Report 2022

Table 2 shows that the number of Business Capacity Development Trainings in 2021 reached 85 times with 207 customers participating and in 2022 the number of trainings increased dramatically to 1,996 times with 11,102 customers participating.

Table 3. Number of New Mekaar Customers and Continued Customers of Bandung Branch 2021 and 2022

Increase in 2021				% Increase	
Region	Nasabah Baru	Nasabah lanjutan	Total	% Nasabah Baru	% Nasabah Lanjutan
Bandung 2	29.567	87.270	116.837	25,31%	74,69%
Bandung 3	34.778	90.673	125.451	27,72%	72,28%
Total Cabang Bandung	64.345	177.943	242.288	26,56%	73,44%

Increase in 2022				% Increase	
Region	Nasabah Baru	Nasabah lanjutan	Total	% Nasabah Baru	% Nasabah Lanjutan
Bandung 2	32.117	111.443	143.560	22,37%	77,63%
Bandung 3	34.414	118.596	153.010	22,49%	77,51%
Total Cabang Bandung	66.531	230.039	296.570	22,43%	77,57%

Source: Bandung Branch Annual Report 2022

The number of advanced cycle customers (SL) increased from 73.44% in 2021 to 77.57% in 2022. With a total number of customers of 242,288 to 296,570 in 2022. It can be seen that the number of customers who continue financing at PNM Mekaar (SL) in 2022 has also increased by 4.13%, from 73.44% in 2021 to 77.57% in 2022. This data shows that there is a gap in business phenomena where the percentage of Mekaar Distribution and percentage of PKU Training have increased drastically from 2021 to 2022, but the increase of customers who continue financing at PNM Mekaar not followed by PKU trainings.

The objectives of this study are as follows:

1. Knowing influence service quality on customer satisfaction
2. Knowing influence the PKU Program on Customer Satisfaction
3. Knowing influence Word of Mouth on Customer Satisfaction
4. Knowing influence service quality on Customer Loyalty
5. Knowing influence the PKU Program on Customer Loyalty
6. Knowing influence Word of Mouth on Customer Loyalty
7. Knowing influence Customer Satisfaction on Customer Loyalty

LITERATURE REVIEW

According to Parasuraman (2020) "Service quality is the differences between reality and customer expectations. If the service received or felt by the customer is in accordance with expectations or even exceeds them, then the quality of the service is considered good by the customer, so there is a possibility that the customer will use the company or product provider.

PNM launched the Business Capacity Development program in 2010. This program is carried out by providing empowerment to PNM customers who are SMEs by providing mentoring and coaching.

In addition to the distribution of micro capital, PNM provides training and assistance to customers in the form of the PKU (Business Capacity Development) program where the PKU program is the uniqueness and excellence of PT Permodalan Nasional Madani with the aim of increasing the business capacity of customers and prospective customers.

Harrison-Walker (2020) states that Word of Mouth (WoM) is non formal communication between a non-commercial talker and a ones who get information about a product, brands, service and company. Word of Mouth is a activity of communication in marketing that shows how possible a customers may tell others

about their feelings in the process of consuming or buying a service or product. Customer experience could be negative or positive feelings. As Davidow (2020) states widely accepted understanding in customer behavior is that WoM make an important role in making customer behavior and attitudes.

Satisfaction is a feelings arouse after comparing the expected performance with the realization of performance results. If the performance meets expectations, the customer is satisfied and vice versa if not, the customer is not satisfied (Kotler & Keller, 2016). Customer satisfaction and dissatisfaction according to Tse and Wiltson (2013) is a customer responses to the evaluation of perceived discrepancies between initial expectations and realization after using a product.

Competition in conducting business activities which is getting tighter every day requires companies to carry out activities or strategies that can create a level of loyalty that can be formed by a variety of preceding factors such as customer satisfaction, image, interpersonal bonds, and switching. The tendency of companies to apply customer-oriented corporate strategies with contemporary approaches, namely orientation, companies on customer loyalty, customer retention, customer retention, zero defections, and life long customer makes the concept of customer loyalty important.

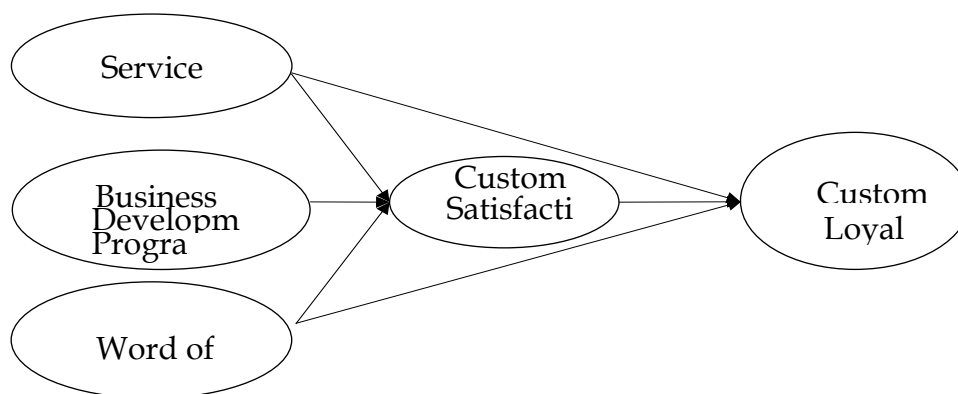


Figure 1. Theoretical Framework

Hypothesis

1. service quality affecting customer satisfaction
2. the PKU Program affecting Customer Satisfaction
3. Word of Mouth affecting Customer Satisfaction
4. service quality affecting Customer Loyalty
5. PKU Program affecting Customer Loyalty
6. Word of Mouth affecting Customer Loyalty
7. Customer Satisfaction affecting Customer Loyalty

METHODOLOGY

Using quantitative research, nonprobability sampling with a purposive sample technique. A total of 100 respondents and two analysis methods used, namely outer model analysis with Convergent Validity, Discriminant Validity, Composite Reliability, Cronbach's Alpha and using inner model analysis with Hypothesis Testing.

HASIL PENELITIAN

Respondent's Descriptive Analysis

The table below describe 100 respondents consisting of education level, age, occupation, and length of time as a customer of PT PNM Bandung Branch.

Table 4. Description of Respondent Characteristics

No.	Description	Frequency (Person)	Percentage (%)
1	Education		
	- ELEMENTARY	0	0%
	- JUNIOR HIGH SCHOOL	6	6%
	- HIGH SCHOOL	94	94%
2	Age of Respondent		
	- 20 - 25 Years	3	3%
	- 26 - 30 Years	12	12%
	- 31 - 35 Years	39	39%
	- 35 years and above	46	46%
3	Jobs		
	- Grocery store	48	48%
	- Convection	34	34%
	- Farmers	15	15%
	- Daily laborer	3	3%
4	Length of time as a customer		
	- Less than 1 Year	0	0%
	- Between 1- 2 Years	7	7%
	- Between 2 - 3 Years	71	71%
	- Between 3 - 4 Years	20	20%
	- More than 4 Years	2	2%

Source: Author's Analysis (2023)

The characteristics of 100 respondents/customers of PT PNM Bandung Branch are as follows:

a. Education Level

Based on the level of education, 94 people (94%) are high school graduated, 6 people (6%) are junior high school graduated and no elementary school graduated (0%).

b. Age of Respondent

Based on the age of the respondents, 46 people (46%) are 35 years and over, 39 people (39%) are 31 to 35 years, 12 people (12%) are 26 to 30 years, 3 people (3%) 20 to 25 years

c. Jobs

Based on the jobs, 48 respondents (48%) are grocery store workers, convection workers as many as 34 respondents (34%), farmers as many as 15 people (15%) and daily laborers as many as 3 people (3%).

d. Length of Time as a Customer

Based on the length of time being a customer of PT PNM Bandung Branch, 71 people (71%) are between 2-3 years, 20 people (20%) are between 3-4 years, 7 people (7%) are between 1-2 years, 2 people (2%) are more than 4 years and no respondent less than 1 year (0%).

Descriptive data displays an overview of respondents answers contained in the questionnaire as well as respondents' responses. Researcher will describe in detail that are gathered in descriptive statistics. The submission of an empirical description using the average value, minimum value, and maximum value. This description will find what extent the respondents perceptions of the variables that are indicators in the study. The author will provide a more comprehensive description of the questionnaire answers received as follows:

Table 5. Service Quality Variable Questionnaire (QL) Result

Code Indicator	Respondent's Answer					Total	Average
	STS	TS	KS	S	SS		
QL1	0	0	11	49	40	100	4,29
QL2	0	0	23	48	29	100	4,06
QL3	1	2	18	57	22	100	3,97
QL4	0	4	17	62	17	100	3,92
QL5	0	3	25	58	14	100	3,83
QL6	0	0	14	50	36	100	4,22
Total	1	9	108	324	158	600	4,05
Percentage	0,16%	1,5%	18%	54%	26,34%	100%	

Source: Author's Analysis (2023)

There are 6 indicators in Quality of service (QL) variable QL1-QL6, 0.16% strongly disagreed, 1.5% disagreed, 18% less agree, 54% agreed and 26.34% strongly agreed. Average result **4.05**, which means interval interpretation is in "**Agree**" category. These means quality of service gathered from sample is in a good category, with the question from **QL1** highest average value of **4.29**, the question point is "The level of conformity between the quality of service provided by the company and your expectations as a customer is very high."

Table 6. Business Development Program Variable Questionnaire (PU) Result

Code Indicator	Respondent's Answer					Total	Average
	STS	TS	KS	S	SS		
PU1	0	0	18	61	21	100	4,03
PU2	7	5	24	43	21	100	3,66
Pu3	5	7	17	44	27	100	3,81
PU4	0	1	12	62	25	100	4,11
PU5	3	4	16	39	38	100	4,05
PU6	0	0	0	65	35	100	4,25
Total	15	17	87	314	167	600	4,00
Percentage	2,5%	2,83%	15,34%	52,33%	27%	100%	

Source: Author's Analysis (2023)

There are 6 indicators in Business Development Program (PU) variable PU1-PU6, 2.5% strongly disagreed, 2.83% disagreed, 15.34% less agree, 52.33% agreed and 27% strongly agreed. Average result is 4.00, which means interval interpretation is in "**Agree**" category. These means the Business Development Program gathered from sample is in a good category, with the question from **PU6** highest average value of **4.25** the question point is "Our service is very good in serving customer requests to upgrade."

Table 7. Word of Mouth Marketing Variable Questionnaire (WOM) Result

Code Indicator	Respondent's Answer					Total	Average
	STS	TS	KS	S	SS		
WOM1	1	12	19	45	23	100	3,77
WOM2	0	3	12	64	21	100	4,03
WOM3	2	2	22	58	16	100	3,84
WOM4	0	0	2	74	24	100	4,22
WOM5	0	1	10	60	30	100	4,22
WOM6	1	6	16	51	26	100	3,95
WOM7	0	1	6	57	36	100	4,28
WOM8	0	0	10	62	28	100	4,18
WOM9	0	3	12	65	20	100	4,02
WOM10	0	2	14	57	27	100	4,09
Total	4	30	123	593	250	1000	4.055
Percentage	0,4%	3%	12,3%	59,3%	25%	100%	

Source: Author's Analysis (2023)

There are 10 indicators in Word of Mouth Marketing (WOM) variable WOM1-WOM10, 0.4% strongly disagreed, 3% disagreed, 12.3% less agree, 59.3% agreed and 25% strongly agreed. Average result is **4.05**, which means interval interpretation is in "**Agree**" category. These means Word of Mouth Marketing gathered from sample is in a good category, with the question from **WOM7** highest average value of **4.28** the question point is "you will recommend your relatives to use our products / services."

Table 8. Customer Satisfaction Variable Questionnaire (KN) Result

Code Indicator	Respondent's Answer					Total	Average
	STS	TS	KS	S	SS		
KN1	0	1	13	65	21	100	4,06
KN2	0	1	7	62	30	100	4,21
KN3	0	0	6	61	33	100	4,27
KN4	0	0	10	53	37	100	4,27
KN5	0	0	9	53	38	100	4,29
KN6	1	1	12	59	27	100	4,1
Total	1	3	57	353	186	600	4,2
Percentage	0.17%	0,5%	9,5%	58,83%	31%	100%	

Source: Author's Analysis (2023)

There are 6 indicators in Customer Satisfaction (KN) variable KN1-KN6, 0.17% strongly disagreed, 0.5% disagreed, 9.5% less agreed, 58.83% agreed and 31% strongly agreed. The average result in **4.2**, which means interval interpretation is in "**Agree**" category. These means Customer Satisfaction gathered from sample is in a good category, with the question from **KN5** highest average value of **4.29** the question point is "your initial perception of our service performance before using the products/services is very good."

Table 9. Customer Loyalty Variable Questionnaire (LN) Result

Code Indicator	Respondent's Answer					Total	Average
	STS	TS	KS	S	SS		
LN1	1	5	5	60	29	100	4,11
LN2	1	5	5	55	34	100	4,16
LN3	0	0	14	46	40	100	4,26
LN4	0	0	10	53	37	100	4,27
LN5	7	6	13	57	17	100	3,71
LN6	1	2	4	66	27	100	4,16
LN7	2	4	12	52	30	100	4,04
LN8	2	0	18	63	17	100	3,93

LN9	0	0	4	57	39	100	4,35
LN10	0	0	1	61	38	100	4,37
Total	14	22	86	570	308	1000	4,14
Percentage	1,4%	2,2%	8,6%	57%	30,8%	100%	

Source: Author's Analysis (2023)

There are 10 indicators in Customer Loyalty (LN) variable LN1-LN10, 1.4% strongly disagreed, 2.2% disagreed, 8.6% less agree, 57% agreed and 30.8% strongly agreed. The average result is **4.14**, which means interval interpretation is in "**Agree**" category. These means Customer Loyalty gathered from sample is in a good category, with the question from LN10 highest average value of **4.37** the question point is "you are very interested in referring the existence of the company."

Measurement Model (Outer Model)

This model explain how every indicator ties to its latent variable. The test carried out on the outer model by using Confirmatory Factor Analysis (CFA) technique.

CFA of the construct useful look at validity of every indicator and testing reliability of the construct. Validity criteria are based on discriminant validity and convergent validity. What is meant by convergent validity is a measure of a measure of a construct that must correlated, while what is meant by discriminant validity is a measure of a measure of a different construct that cannot be strongly correlated. Indicators meet convergent validity when loading factor > 0.7 , but for research in early stages, a loading 0.5 to 0.6 good enough, and is indicated by an Average Variance Extracted (AVE) value > 0.5 . Average Variance Extracted (AVE) is a latent variable that describe half even more variance in its indicators. Construct reliability is measured by Composite Reliability and Cronbach's Alpha. Composite Reliability is used to prove the accuracy, consistency of the instrument in measuring constructs. Cronbach Alpha and Composite Reliability reliable if the value > 0.7 (Ghozali, 2014).

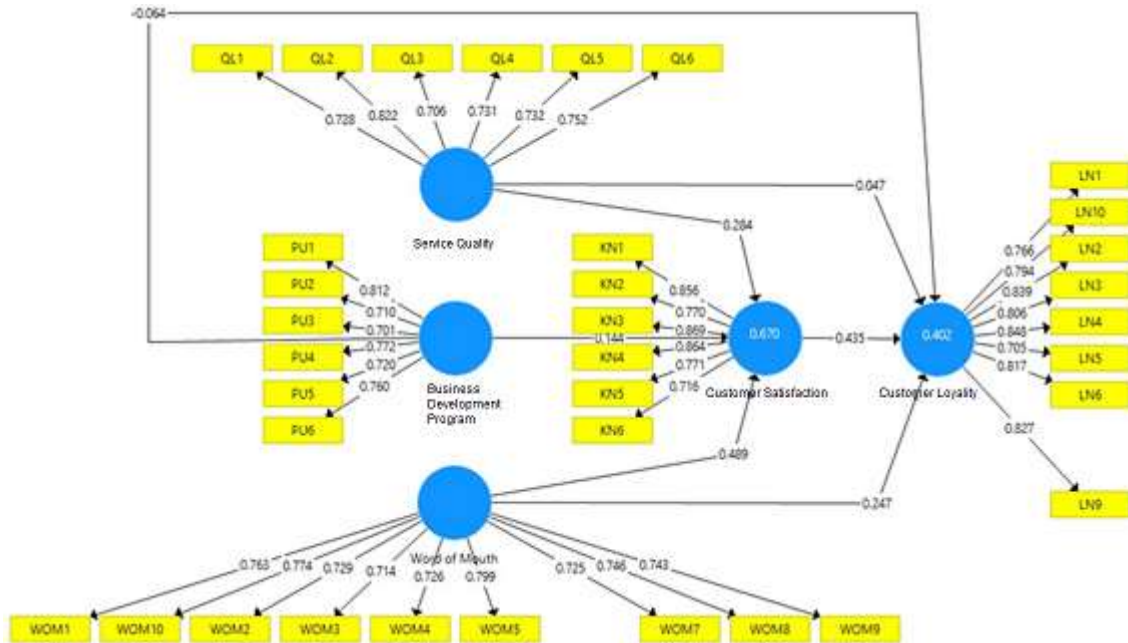


Figure 2. Value Model Between Constructs and Dimensions Research Model
 Source: Author's Analysis (2023)

A. Validity Test

There are 2 stages in testing the validity of reflexive indicators. The first is convergent validity test, validity testing based on the Outer Loading value of every construct, and the second is discriminant validity test, validity testing based on comparison.

a. Convergent Validity

1. Service Quality Variable (QL)

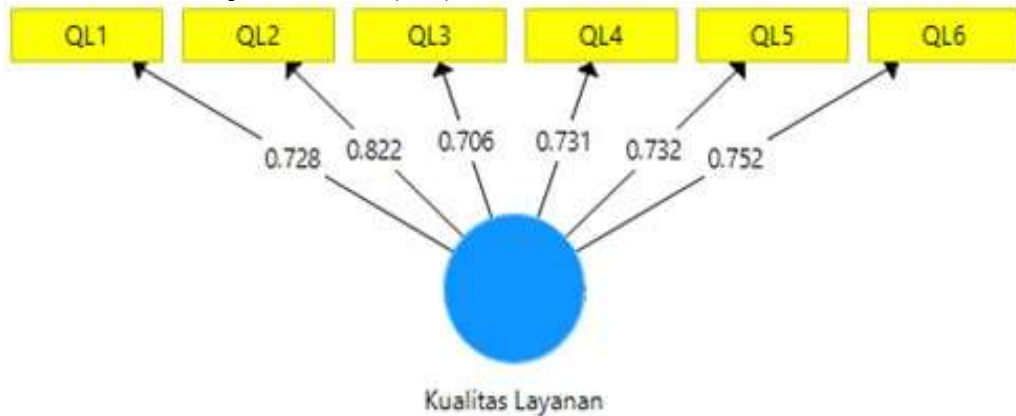


Figure 3. Outer Loading Value of the Service Quality Variable (QL)
 Source: SmartPLS 4

Table 10. Outer Loading Value of Service Quality Variable (QL)

Variables	Code Indicator	Outer Loading Value	Terms	Description
Service Quality (QL)	QL1	0,728	> 0,7	Valid
	QL2	0,822	> 0,7	Valid
	QL3	0,706	> 0,7	Valid
	QL4	0,731	> 0,7	Valid
	QL5	0,732	> 0,7	Valid
	QL6	0,752	>0,7	Valid

Source: SmartPLS 4

All Outer Loading value above 0.7 means all indicators of the Service Quality (QL) are valid or fulfill convergent validity.

2. Business Capacity Development Program Variable (PU)

The results of Validation Test are shown below:

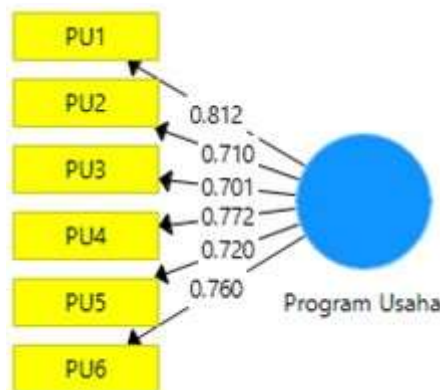


Figure 4. Outer Loading Value of Business Capacity Development Variable (PU)

Source: SmartPLS 4

Table 11. Outer Loading Value of the Business Capacity Development Variable (PU)

Variables	Code Indicator	Outer Loading Value	Terms	Description
Business Capacity Development (PU)	PU.1	0,812	>0,7	Valid
	PU.2	0,710	>0,7	Valid
	PU.3	0,701	>0,7	Valid
	PU.4	0,772	>0,7	Valid
	PU.5	0,720	>0,7	Valid
	PU.6	0,760	>0,7	Valid

Source: SmartPLS 4

All Outer Loading values above 0.7, means Business Capacity Development (PU) variable are valid or fulfill convergent validity.

3. Word of Mouth Marketing (WOM) Variables

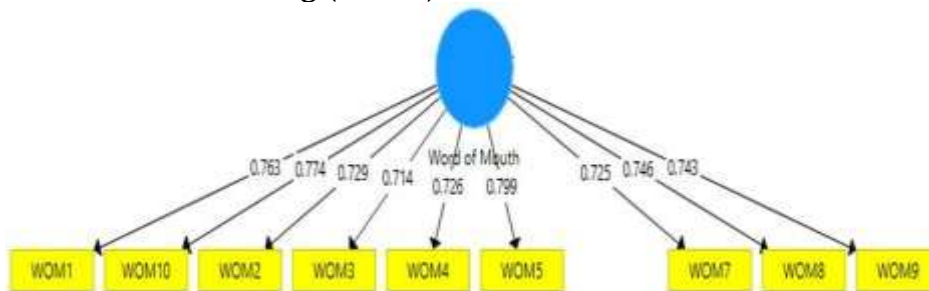


Figure 5. Outer Loading Value of Word of Mouth Marketing Variables (WOM)

Source: SmartPLS 4

Table 12. Outer Loading Value of the Word of Mouth Marketing Variable (WOM)

Variables	Code Indicator	Outer Loading Value	Terms	Description
Word Of Mouth (WOM)	WOM1	0,763	>0,7	Valid
	WOM2	0,729	>0,7	Valid
	WOM3	0,714	>0,7	Valid
	WOM4	0,726	>0,7	Valid
	WOM5	0,799	>0,7	Valid
	WOM7	0,725	>0,7	Valid
	WOM8	0,746	>0,7	Valid
	WOM9	0,743	>0,7	Valid
	WOM10	0,774	>0,7	Valid

Source: Results of Analysis Using SmartPLS 4

All Outer Loading values above 0.7, means Word of Mouth Marketing (WOM) variable are valid or met convergent validity.

4. Customer Satisfaction Variable (KN)

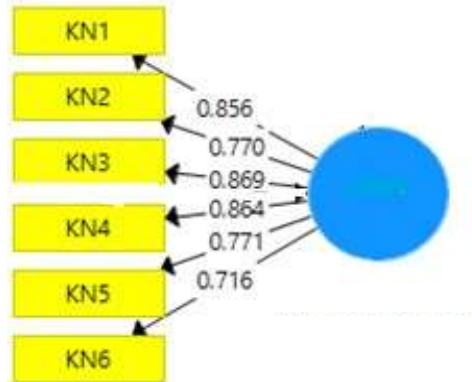


Figure 6. Outer Loading Value of the Customer Satisfaction Variable (KN)

Source: SmartPLS 4

Table 13. Outer Loading Value of the Customer Satisfaction Variable (KN)

Variables	Code Indicator	Outer Loading Value	Terms	Description
Customer Satisfaction (KN)	KN.1	0,856	>0,7	Valid
	KN.2	0,770	>0,7	Valid
	KN.3	0,869	>0,7	Valid
	KN.4	0,864	>0,7	Valid
	KN.5	0,771	>0,7	Valid
	KN.6	0,716	>0,7	Valid

Source: Results of Analysis Using SmartPLS 4

Entire Outer Loading values remain > 0.7, means Customer Satisfaction (KN) variable are valid or fulfill convergent validity.

5. Customer Loyalty Variable (LN)

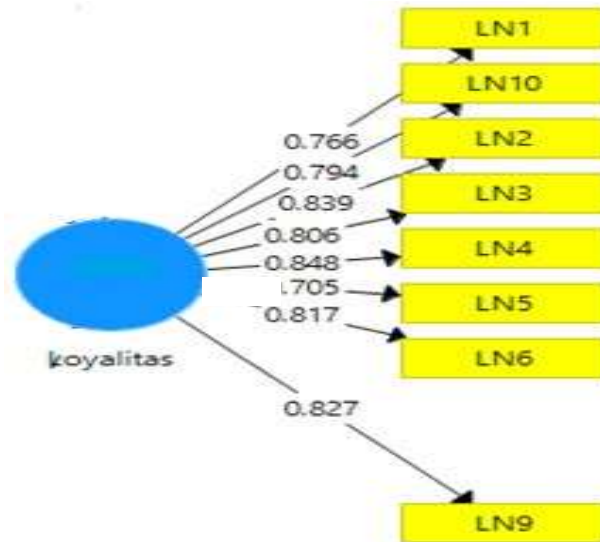


Figure 7. Outer Loading Value of the Customer Loyalty Variable (LN)
 Source: SmartPLS 4

Table 14. Outer Loading Value of the Customer Loyalty Variable (LN)

Variables	Code Indicator	Outer Loading Value	Terms	Description
Customer Loyalty (LN)	LN1	0,766	>0,7	Valid
	LN2	0,839	>0,7	Valid
	LN3	0,806	>0,7	Valid
	LN4	0,848	>0,7	Valid
	LN5	0,705	>0,7	Valid
	LN6	0,817	>0,7	Valid
	LN9	0,827	>0,7	Valid
	LN10	0,794	>0,7	Valid

Source: Results of Analysis Using SmartPLS 4

Entire Outer Loading values are above 0.7, means Customer Loyalty (LN) variable are valid or fulfill convergent validity.

B. Discriminant Validity

Table 15. Cross Loading Value Each Variable and Construct of the Research Model

	Customer Satisfaction	Service Quality	Loyalty	Business Program	Word of Mouth
KN1	0.856	0.593	0.610	0.599	0.721
KN2	0.770	0.447	0.501	0.573	0.575
KN3	0.869	0.568	0.495	0.590	0.667
KN4	0.864	0.601	0.468	0.589	0.665
KN5	0.771	0.563	0.489	0.457	0.530
KN6	0.716	0.559	0.407	0.446	0.572
LN1	0.492	0.420	0.766	0.389	0.508
LN10	0.448	0.339	0.794	0.328	0.433
LN2	0.582	0.480	0.839	0.395	0.475
LN3	0.389	0.322	0.806	0.292	0.377
LN4	0.470	0.351	0.848	0.291	0.437
LN5	0.392	0.198	0.705	0.287	0.389
LN6	0.526	0.377	0.817	0.373	0.487
LN9	0.582	0.414	0.827	0.403	0.498
PU1	0.636	0.608	0.356	0.812	0.601
PU2	0.426	0.361	0.252	0.710	0.500
PU3	0.377	0.406	0.331	0.701	0.492
PU4	0.523	0.554	0.272	0.772	0.612
PU5	0.475	0.413	0.354	0.720	0.428
PU6	0.531	0.450	0.374	0.760	0.560
QL1	0.551	0.728	0.351	0.436	0.430
QL2	0.510	0.822	0.365	0.551	0.501
QL3	0.466	0.706	0.295	0.454	0.480
QL4	0.455	0.731	0.249	0.436	0.460
QL5	0.501	0.732	0.325	0.448	0.411
QL6	0.565	0.752	0.447	0.497	0.551
WOM1	0.590	0.478	0.520	0.527	0.763
WOM10	0.559	0.433	0.514	0.578	0.774

WOM2	0.547	0.470	0.375	0.509	0.729
WOM3	0.564	0.462	0.361	0.553	0.714
WOM4	0.554	0.528	0.365	0.557	0.726
WOM5	0.639	0.513	0.427	0.550	0.799
WOM7	0.546	0.455	0.451	0.479	0.725
WOM8	0.593	0.483	0.440	0.530	0.746
WOM9	0.598	0.457	0.335	0.532	0.743

Source: Results of Analysis Using SmartPLS 4

The correlation score of the construct is higher than the correlation score with other constructs. For example, the KN1 indicator (indicator of the Customer Satisfaction variable) has an Outer Loading value of 0.856 which is higher than the Outer Loading values in other constructs, namely 0.593 - 0.610 - 0.599 - 0.721. The table also shows that the variable KN1-KN6 indicator Outer Loading value that is higher than the Outer Loading values in other constructs. Likewise, the LN1-LN10 indicator of the Customer Loyalty variable, the PU1-PU6 indicator of the Business Development Program variable, the QL1-QL6 indicator of the Service Quality variable, the WOM1-WOM10 indicator of the Word of Mouth Marketing variable, have a higher Outer Loading value than the Outer Loading value in other constructs. So all latent constructs shows nice discriminant validity since they can predict indicators in their blocks better than indicators in another blocks.

For further discriminant validity test, let us look at the AVE (Average Variance Extracted) value. The AVE value is nice if it is greater than 0.5 (Imam Ghozali, 2014).

Table 16. AVE (Average Variance Extraction) Research Model

Variables	Average Variance Extracted (AVE)
Customer Satisfaction	0,656
Service Quality	0,557
Loyalty	0,642
Business Program	0,558
Word of Mouth	0,558

Source: SmartPLS 4

The AVE score for all variables are above 0.5. So that discriminant validity testing can be continued. Thus, the Convergent Validity and Discriminant Validity test have been fulfilled in other words the research model is valid.

C. Reliability Test

Table 17. Composite Reliability Value of the Research Model

Variables	Composite Reliability	Condition	Description
Customer Satisfaction(KN)	0,919	>0,7	Reliable
Quality of Service (QL)	0,883	>0,7	Reliable
Customer Loyalty (LN)	0,935	>0,7	Reliable
Business Development Program (PU)	0,883	>0,7	Reliable
Word of Mouth (WOM)	0,919	>0,7	Reliable

Source: SmartPLS 4

Every variables composite reliability value above 0.7, lowest value 0.883 from the Business Development Program (PU) and Service Quality (QL) variables, the highest value of 0.935 from the Customer Loyalty (KN) variable. it means research model fulfill the scre of composite reliability. These criteria have fulfill the reliability criteria and are reliable.

Table 18. Cronbach's Alpha Value of the Research Model

Variables	Composite Reliability	Condition	Description
Customer Satisfaction(KN)	0,894	>0,6	Reliable
Quality of Service (QL)	0,840	>0,6	Reliable
Customer Loyalty (LN)	0,920	>0,6	Reliable
Business Development Program (PU)	0,842	>0,6	Reliable
Word of Mouth (WOM)	0,901	>0,6	Reliable

Source: Results of Analysis Using SmartPLS 4

Every variable has Cronbach's alpha score above 0.6, lowest value 0.840 from the Service Quality variable (QL), and the highest value 0.920 from the Customer Loyalty variable (LN). it means it have fulfill the score of Cronbach's alpha. These criteria have met the reliability criteria and are reliable.

D. Structural Model Testing (Inner Model)

Inner Model or also called Inner Relation is explanation of relationship between latent variables. There are two types of testing, R2 test and hypothesis test.
 1. Test Coefficient of Determination / R Square (R²)

The term for limiting the R² value are in three classifications, strong R² = 0.75, moderate R² 0.50 and weak R² 0.25 (weak).

Table 19. R Square (R²) Value of the Research Model

	R Square	R Square Adjusted
Customer Satisfaction (KN)	0,670	0,662
Customer Loyalty (LN)	0,402	0,384

Source: Results of Analysis Using SmartPLS 4

Customer Satisfaction (KN) variable is 0.662, means 66.2% of the Customer Satisfaction (KN) variable can be influenced by Service Quality (QL) variable, Business Development Program (PU) variable and Word of Mouth Marketing (WOM) variable, 33.8% is affected by other variables outside those. The Adjusted R-square value of the Customer Loyalty (LN) variable is 0.384, means 38.4% of the Customer Loyalty (LN) variable can be influenced by Service Quality (QL) variable, Business Development Program (PU) variable and Word of Mouth Marketing (WOM) variable, 61.6% is affected by other variables.

2. Validating the Overall Structural Model with Goodness of Fit Index (GoF)

$$GoF = \sqrt{AVE \times R^2}$$

$$GoF = \sqrt{0,6422 \times 0,5360}$$

$$GoF = \sqrt{0,3442}$$

$$GoF = 0.5866$$

Description:

$$AVE = 0,671+0,572+0,619+0,747+0,602 / 5$$

$$= 0.6422$$

$$R = 0.670+0.402 / 2$$

$$= 0.5360$$

Goodness of Fit Index (GoF) show a value of 0.5360. GoF = 0.1 is small, GoF = 0.25 is medium and GoF = 0.36 is large. So it means GoF is great since it above 0.36.

3. Evaluating the R² Value

Furthermore, testing predictive relevance or Q-Square for structural models to find out how great the observation of its parameters. It is known that if the Q-Square value > 0, it can be said that the model has predictive relevance. To calculate the Q-Square value, you can use:

$Q^2 = 1 - (1 - R_1^2) (1 - R_2^2) \dots (1 - R_p^2)$ where R, R_1^2, \dots, R_p^2 is the R-square of the dependent variable.

$$Q^2 = 1 - (1 - 0.670)(1 - 0.402)$$

$$Q^2 = 1 - (0.330)(0.598)$$

$$Q^2 = 1 - 0.1973$$

$$Q^2 = 0.8026$$

From above calculations, the value of Q^2 or predictive relevance in this study is 0.8026. From these results it is known that this research model have predictive relevance because Q^2 is greater than 0 and can be said to be good because it is close to the value of 1.

4. Hypothesis Test

Bootstrap resampling method is used to test hypothesis between constructs. Determine the value of the t table by looking at the vertical degree of freedom value and the value of the meaning limit based on the hypothesis.

$$DF = n - k$$

*n = total respondents

$$DF = 100 - 5$$

*k = number of research variables

$$DF = 95$$

*DF = Degree of Freedom

In statistic table, t-table value with a value of 95 is 1.985 with significance level (α) 5% (0.05). The decision-making method is:

- If P-Values above 0.05 or t count below t table, H_0 accepted H_a rejected.

If P-Values below 0.05 or t count above t table, H_0 rejected H_a accepted.

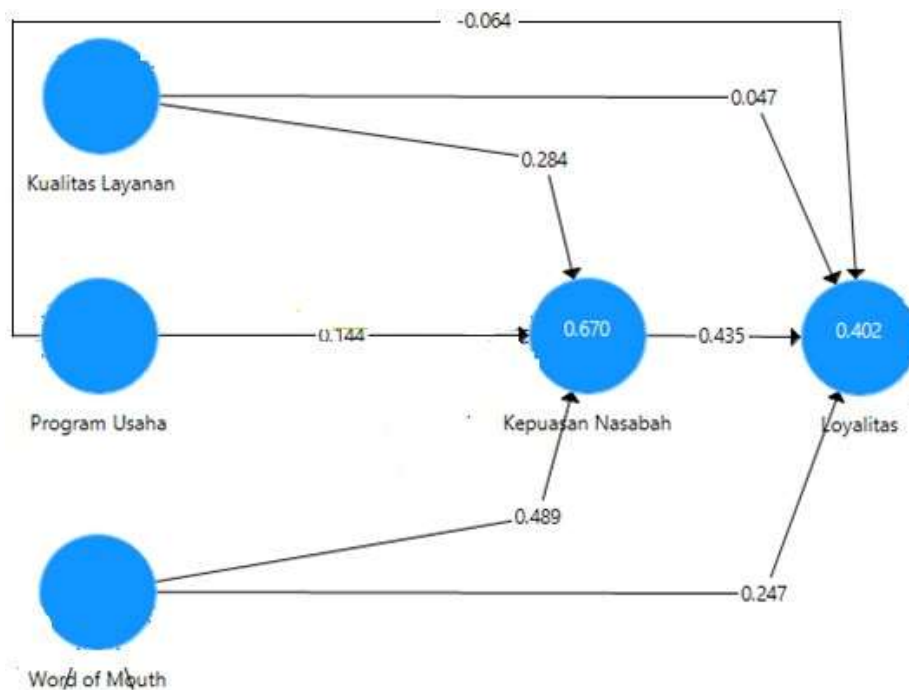


Figure 8. Path Coefficient Model and t Statistics Structural Research Model

Source: SmartPLS 4

Table 20. Path Coefficient Values, t-Statistics, and P-Values

Direct Influence	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Customer Satisfaction -> Loyalty	0.435	0.443	0.123	3.523	0.001
Service Quality -> Customer Satisfaction	0.284	0.278	0.082	3.488	0.001
Service Quality -> Loyalty	0.047	0.049	0.111	0.426	0.671
Business Program -> Customer Satisfaction	0.144	0.161	0.098	1.470	0.144
Business Program -> Loyalty	-0.064	-0.067	0.104	0.612	0.541
Word of Mouth -> Customer Satisfaction	0.489	0.480	0.089	5.492	0.000
Word of Mouth -> Loyalty	0.247	0.245	0.151	1.637	0.104

Source: SmartPLS 4

Structural Equations:

I. $KN = 0.284QL + 0.144PU + 0.489WOM + e$, $R^2 = 0.670$

II. $LN = 0.435KN + 0.047QL + (-0.064PU) + 0.247WOM + e$, $R^2 = 0.402$

DISCUSSION

• Direct Effect

1. There is a Significant Effect of Customer Satisfaction (KN) on Customer Loyalty (LN)

t statistics 3.523 higher than t-table 1.985, P-Values 0.001 smaller than $\alpha = 0.05$, means H_a is accepted, so there is an influence of Customer Satisfaction (KN) on Customer Loyalty (LN). The coefficient value positive (0.435), means Customer Satisfaction (KN) variable affecting Customer Loyalty (LN) variable by 43.5%. H_1 "Customer Satisfaction (KN) has a significant effect on Customer Loyalty (LN)" is accepted.

2. There is a Significant Effect of Service Quality (QL) on Customer Loyalty (LN)

t statistics 0.426 lower than the t table 1.985, P-Values 0.671 higher than $\alpha = 0.05$, means H_a is rejected, so there is no effect of the Service Quality (QL) on Customer Loyalty (LN). The coefficient value positive (0.047), means Service Quality (QL) variable affecting Customer Loyalty (LN) variable by 4.7%. H_2 "Service Quality (QL) has a significant effect on Customer Loyalty (LN)" is rejected.

3. There is a Significant Effect of the Business Development Program (PU) on Customer Loyalty (LN)

t statistics 0.612 which is lower than the t table 1.985, P-Values 0.541 higher than $\alpha = 0.05$, means that H_a is rejected, so there is no effect of the Business Development Program (PU) on Customer Loyalty (LN). The coefficient value negative (-0.064), means Business Development Program (PU) negatively affecting

Customer Loyalty (LN) variable by -6.4%. H_3 "Business Development Program (PU) has a significant effect on Customer Loyalty (LN)" is rejected.

4. There is a Significant Influence of Word of Mouth Marketing (WOM) on Customer Loyalty (LN)

t statistics 1.637 which is lower than the t table 1.985, P-Values = 0.104 higher than $\alpha = 0.05$, meaning that H_a is rejected, so there is no effect of the Word of Mouth Marketing (WOM) on Customer Loyalty (LN). The coefficient value positive (0.247), means Word of Mouth Marketing (WOM) variable affecting Customer Loyalty (LN) variable by 24.7%. H_4 "Word of Mouth Marketing (WOM) has a significant effect on Customer Loyalty (LN)" is rejected.

5. There is a Significant Effect of Service Quality (QL) on Customer Satisfaction (KN)

t statistics 3.488 which is higher than the t table 1.985, and the P-Values = 0.001 lower than $\alpha = 0.05$, means that H_a is accepted, so there is no effect of the Service Quality (QL) on Customer Satisfaction (KN). The coefficient value positive (0.284), means Service Quality (QL) variable affecting Customer Satisfaction variable by 28.4%. H_5 "Service Quality (QL) has a significant effect on Customer Satisfaction (KN)" is accepted.

6. There is a Significant Effect of the Business Development Program (PU) on Customer Satisfaction (KN)

t statistics value 1.470 lower than the t table 1.985, and the P-Values = 0.144 higher $\alpha = 0.05$, means that H_a is rejected, so there is no effect of the Business Development Program (PU) on Customer Satisfaction (KN). The coefficient value positive (0.144), means Work Development Program (PU) variable affecting Customer Satisfaction variable by 14.4%. H_6 "Business Development Program (PU) has a significant effect on Customer Satisfaction (KN)" is rejected.

7. There is a Significant Influence of Word of Mouth Marketing (WOM) on Customer Satisfaction (KN)

t statistics 5.492 is higher than the t table 1.985, and the P-Values value = 0.000 lower $\alpha = 0.05$, means that H_a is accepted, so there is an influence of the Word of Mouth Marketing (WOM) variable on Customer Satisfaction (KN). The coefficient value is positive (0.489), meaning that the Word of Mouth Marketing (WOM) variable affecting Customer Satisfaction variable by 48.9%. H_7 "Word of Mouth Marketing (WOM) has a significant effect on Customer Satisfaction (KN)" is accepted.

• **Indirect Influence**

Table 21. Indirect Effect Path Coefficient Values, t-Statistics, and P-Values
Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Service Quality -> Customer Satisfaction -> Loyalty	0.124	0.115	0.047	2.639	0.009
Business Program -> Customer Satisfaction -> Loyalty	0.063	0.068	0.047	1.342	0.182
Word of Mouth -> Customer Satisfaction -> Loyalty	0.212	0.216	0.082	2.579	0.011

Source: Results of Analysis Using SmartPLS 4

1. Service Quality (QL) Significantly Affecting on Customer Loyalty (LN) Through Customer Satisfaction (KN)

t statistics 2.639 higher than the t table 1.985, and the P-Value 0.009 is greater than $\alpha = 0.05$, means that H_a is accepted, so there is an significant influence of the Service Quality (QL) on Customer Loyalty (LN) through Customer Satisfaction (KN). The coefficient value is positive (0.124), means Customer Satisfaction (KN) affecting or increases the influences of the Service Quality (QL) variable on the Customer Loyalty (LN) variable by 12.4%. H_8 "Service Quality (QL) significantly affecting Customer Loyalty (LN) through Customer Satisfaction (KN)" is accepted.

2. Business Development Program (PU) Significantly Affecting on Customer Loyalty (LN) Through Customer Satisfaction (KN)

t statistics 1.342 lower than the t table = 1.985, and the P-Values = 0.182 higher than $\alpha = 0.05$, means that H_a is rejected, so there is no significant effect of the Business Development Program (PU) on Customer Loyalty (LN) through Customer Satisfaction (KN). The coefficient value positive (0.063), meaning that the Customer Satisfaction (KN) variable affecting or increases the influence of the Business Development Program (PU) variable on the Customer Loyalty (LN) variable by 6.3%. H_9 "Business Development Program (PU) has a significant effect on Customer Loyalty (LN) through Customer Satisfaction (KN)" is rejected.

3. Word of Mouth Marketing (WOM) Significantly Affecting on Customer Loyalty (LN) Through Customer Satisfaction (KN)

t statistics 2.579 higher than the t table 1.985, and the P-Values = 0.011 lower than $\alpha = 0.05$, means H_a is accepted, so there is an affect of Word of Mouth Marketing (WOM) significantly on Customer Loyalty (LN) through Customer Satisfaction (KN). The coefficient value positive (0.212), meaning that the

Customer Satisfaction (KN) variable affecting or increases the influence of the Word of Mouth Marketing (WOM) variable on the Customer Loyalty (LN) variable by 21.2%. H_{10} "Word of Mouth Marketing (WOM) has a significant effect on Customer Loyalty (LN) through Customer Satisfaction (KN)" is accepted.

CONCLUSION AND RECOMMENDATION

The conclusions that can be drawn from 100 respondents who are customers of PT PNM Bandung Branch are as follows:

Based on level of education of the respondents, the composition was more high school, namely 94 people (94%), junior high school as many as 6 people (6%), and elementary school 0 people (0%). Based on age of the respondents, the composition is more aged 35 years and over, namely 46 people (46%), 31 to 35 years, namely 39 people (39%), 26 to 30 years as many as 12 people (12%), 20 to 25 years as many as 3 people (3%). Based on the occupation of 100 respondents, 48 respondents (48%) were grocery store workers, 34 respondents (34%) were convection workers, 15 respondents (15%) were farmers and 3 respondents (3%) were day laborers. Based on the length of time being a customer of PT PNM Bandung Branch, the composition between 2-3 years are 71 people (71%), between 3-4 years are 20 people (20%), between 1-2 years are 7 people (7%), more than 4 years are 2 people (2%) and less than 1 year is 0 people (0%).

Customer Satisfaction affecting Customer Loyalty. The t statistics value is 3.523 higher than the t table 1.985, and the P-Values = 0.001 lower than $\alpha = 0.05$, means that H_a is accepted, namely that there is an influence of the Customer Satisfaction (KN) variable on Customer Loyalty (LN). Coefficient value positive (0.435), means Customer Satisfaction (KN) variable affecting or increases the Customer Loyalty (LN) variable by 43.5%. H_1 "Customer Satisfaction (KN) has a significant effect on Customer Loyalty (LN)" is accepted.

Service Quality positive but insignificant affect on Customer Loyalty. The t statistics 0.426 lower than the t table 1.985, and the P-Values 0.671 higher than $\alpha = 0.05$, means H_a is rejected, no influence from the Service Quality (QL) variable on Customer Loyalty (LN). Coefficient value positive (0.047), means Service Quality (QL) variable affecting or increases the Customer Loyalty (LN) variable by 4.7%. H_2 "Service Quality (QL) has a significant effect on Customer Loyalty (LN)" is rejected.

The Business Development Program has no positive and significant effect on Customer Loyalty. t statistics 0.612 lower than the t table 1.985, and the P-Values 0.541 higher than $\alpha = 0.05$, means H_a is rejected, namely there is no effect of the Business Development Program (PU) variable on Customer Loyalty (LN). Coefficient value negative (-0.064), means Business Development Program (PU) variable negatively affects the Customer Loyalty (LN) variable by -6.4%. H_3 "Business Development Program (PU) has a significant effect on Customer Loyalty (LN)" is rejected.

Word of Mouth Marketing positive but insignificant effect on Customer Loyalty. t statistics 1.637 lower than the t table 1.985, and the P-Values 0.104 higher than $\alpha = 0.05$, means H_a is rejected, so no influence from the Word of Mouth Marketing (WOM) variable on Customer Loyalty (LN). Coefficient value positive (0.247), means Word of Mouth Marketing (WOM) variable affecting or increases the

Customer Loyalty (LN) variable by 24.7%. H4 "Word of Mouth Marketing (WOM) has a significant effect on Customer Loyalty (LN)" is rejected.

Service Quality positive and significant effect on Customer Satisfaction. The t statistics 3.488 higher than the t table 1.985, and the P-Values 0.001 lower than $\alpha = 0.05$, means H_a is accepted, namely that there is no effect of the Service Quality (QL) variable on Customer Satisfaction (KN). The coefficient value positive (0.284), means Service Quality (QL) variable affecting or increases the Customer Satisfaction variable by 28.4%. H5 "Service Quality (QL) has a significant effect on Customer Satisfaction (KN)" is accepted.

The Business Development Program positive but insignificant effect on Customer Satisfaction. The t statistics 1.470 lower than the t table 1.985, and the P-Values 0.144 higher than $\alpha = 0.05$, mean H_a is rejected, so no effect of the Business Development Program (PU) variable on Customer Satisfaction (KN). The coefficient value positive (0.144), means the Work Development Program (PU) variable affecting or increases the Customer Satisfaction variable by 14.4%. H6 "Business Development Program (PU) has a significant effect on Customer Satisfaction (KN)" is rejected.

Word of Mouth Marketing has a positive and significant effect on Customer Satisfaction. The t statistics 5.492 higher than the t table 1.985, and the P-Values = 0.000 lower than $\alpha = 0.05$, means H_a is accepted, namely that there is an influence of the Word of Mouth Marketing (WOM) variable on Customer Satisfaction (KN). Coefficient value positive (0.489), means Word of Mouth Marketing (WOM) variable affecting or increases the Customer Satisfaction variable by 48.9%. H7 "Word of Mouth Marketing (WOM) has a significant effect on Customer Satisfaction (KN)" is accepted.

FURTHER STUDY

This research still has limitations, so it is necessary to carry out further research related to the topic of The Influence of Service Quality, Business Capacity Development Programs, and Word of Mouth on Customer Satisfaction and Loyalty in order to perfect this research and add insight to readers.

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