Indonesian Journal of Business Analytics (IJBA)
Vol.3, No.06, 2023 : 2117-2128

The Influence of Customer Satisfaction, Service Quality on Financial Performance at Perumda Tirta Mayang Drinking Water, Jambi City

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ARTICLEINFO

Keywords: Customer Satisfaction, Service Quality, Financial Performance

Received : 04, October
Revised : 09, November
Accepted: 20, December

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ABSTRACT

The purpose of this study was to see the effect of Customer Satisfaction, Service Quality on the Financial Performance of Perumda Tirta Mayang Jambi City. The population in this study were all customers of Perumda Tirta Mayang, Jambi City, totaling 94,024 customers. Sampling used the Slovin formula to obtain a total sample of 100 people. Methods of data collection using a questionnaire. The data analysis method used is logistic regression analysis using the SPSS version 24 software program.

DOI: https://doi.org/10.55927/ijba.v3i6.5904
ISSN-E: 2808-0718
https://journal.formosapublisher.org/index.php/ijba

INTRODUCTION

The Regional Drinking Water Company is an inseparable part and is much needed by the community. Every company and service company always strives to improve the quality of its products, especially in terms of improving service quality. Quality of service is the most important factor for the company concerned so that the company can continue to grow. The way to improve service quality is to try to understand customer needs. In order to improve service quality, facilities and infrastructure are needed to support the service process provided. In order to maintain the continuity of a continuous service process, it is necessary to establish relationships with consumers and maintain good communication. In addition, a service process environment is also needed that can provide comfort and convenience for every consumer (Anggarawati, 2021).

In order to build good marketing, of course the company provides adequate quality service to customers so that customers remain loyal to subscribe. According to Ulfa and Mayliza (2019), service quality is the form of service provided to customers which is categorized into expectations and reality for the service received by customers. Quality of service is an activity that must be provided by companies and employees in order to maintain customer trust.

Customer satisfaction can be realized if the service perceived by the customer is the same or at least almost the same as what the customer expects in buying or using services from service providers. To realize this, leaders must know what is considered important by customers and leaders try to produce the best possible performance so that services have good quality so as to provide satisfaction to customers. Quality service is the main requirement for continuity for the continuity of the company. Companies are also required to better understand all the needs and desires of consumers or companies must be able to create products or services that suit their needs so as to foster customer satisfaction (Jasin and Sriwahyuni, 2015).

Good service quality is characterized by the provision of a service that meets or transcends the expectations of consumers. Conversely, exceptional service quality can be described as highly satisfying. Nonetheless, there are occasionally services that fail to meet the expectations of customers. A service is considered subpar when it is perceived that the company is incapable of satisfying consumer needs and desires, whether through its products or services.

To encourage a company to achieve its goals or carry out its functions, it is necessary to evaluate the performance that has been carried out. This evaluation is useful for making the right decisions for achieving goals. Company performance is a benchmark for the development of a company, one of which is its financial performance. Financial performance can be assessed, one of the ways, from the profits earned by the company. Financial performance is information regarding financial condition and interpretation of the effectiveness and efficiency of financial operational management to obtain maximum profit. The financial performance of a company shows how healthy the company is. If the company's financial performance is good, then the company can be said to be a healthy company. It can be interpreted that financial performance is

information that describes the financial processes carried out by a company in a certain period (Tangdialla et al., 2020).

The Regional Public Drinking Water Company (Perumda) is a clean water service company. One of Perumda's goals is to meet living needs, development and distribution of clean water facilities and infrastructure, and the next goal is to contribute to economic development, to support regional development through expanding employment opportunities, and to gain profits as the main source of regional funding. Perumda Tirta Mayang Jambi City is a regional company that operates in the drinking/clean water facilities sector. The government believes this company should provide services to the people of Jambi City as an effort to prosper and support the community's economic activities.

In this case, the financial performance of Perumda Tirta Mayang Jambi City can be seen from its profits for 2019-2022 which fluctuate every year. Even though there are fluctuations, in the last 2 (two) years profits have increased. This increase in profits shows that financial performance is starting to improve. For more details regarding Perumda Tirta Mayang's profits, see the following table:

Table 1 Profit Loss Perumda Tirta Mayang's Period 2019-2022

Years	Profit /Loss (Rp)	Increase/decrease (Rp)
2019	16.372.696.915,8	-
2020	(14.692.021.169,65)	(31.064.718.085,45)
2021	5.701.346.150	20.393.367.319,65
2022	6.598.874.579 (unaudit)	897.528.429

During the last four years, it can be seen that Perumda Tirta Mayang's profit and loss has fluctuated. In 2019 the profit earned was Rp. 16.372 billion but in 2020 experienced a very significant loss of Rp. 14.692 Billion. This loss was indicated to be caused by the conditions of the Covid-19 pandemic where the Jambi City Government as the owner of Perumda Tirta Mayang, Jambi City, established a policy to free customers affected by the pandemic to pay their water bills free of charge for 3 months. Apart from that, during 2020, Perumda Tirta Mayang provided a lot of clean water assistance to the community, hospitals and other agencies directly affected by Covid19 (Interview with the Main Director of Perumda Tirta Mayang, 2023). However, in 2021 the company made a profit. Followed in 2022 where profits will increase. Even though the waiver of water bill payments in 2020 causes Perumda to suffer losses, it is believed that it will increase customer satisfaction. However, even though profits have increased, there are still complaints from the public, especially regarding the service quality of Perumda Tirta Mayang, City of Jambi, of course, this must be resolved quickly so that Perumda Tirta Mayang's financial performance can get better.

THEORETICAL REVIEW

Customer Satisfaction

Customer satisfaction is a container for the situation of a person in a subscription which is in the form of a consumer who already understands the conditions of a customer (consumer) who has a very large level of satisfaction that is in accordance with real expectations (Haya and Nurhayati, 2022). Satisfaction also provides the best service for customers in order to increase customer satisfaction.

Customer satisfaction refers to the degree to which an individual feels when the actual (performance or outcomes) meets or falls short of their anticipated standards. Satisfaction levels are determined by the disparity between the actual performance and the level of anticipation. Inference can be made that consumer satisfaction is the resultant gratification or discontentment an individual experiences when comparing the perceived outcomes of a product to those anticipated. A client is dissatisfied if the outcomes fail to meet their expectations. Customer satisfaction is achieved when the outcomes align with the customer's expectations. When results surpass expectations, the client is extremely contented or delighted. (Hasrina, 2019).

Service Quality

Service quality, as defined by economist Philip Kotler (2016), pertains to the level of performance that an individual delivers to others. This performance may constitute an intangible action in which neither commodities nor individuals acquire ownership.

Good service quality is characterized by the provision of a service that meets or transcends the expectations of consumers. Conversely, exceptional service quality can be described as highly satisfactory. Nonetheless, there are occasionally services that fail to meet the expectations of customers. When a customer perceives that the company is unable to satisfy their desires, whether through its products or services, this is considered a poor service. Service quality serves the purpose of ensuring that customers are completely satisfied. Irrespective of the level of consumer acceptance or lack thereof. It is incumbent upon each business manager to ensure that customer satisfaction is upheld in alignment with the service quality function. The primary purpose of service quality is to afford consumers a sense of ease and contentment..

Financial Performance

As measured by predetermined and mutually agreed-upon criteria, work standards, targets, or objectives, performance refers to the overall outcome or degree of achievement of an individual over a specified time period in relation to these factors. A business's financial performance reflects its capacity to administer and regulate the assets it possesses. Financial performance is proxied by the profit earned by Perumda Tirta Mayang. Profit is the difference between the income earned and the total costs incurred by the company.

METHODOLOGY

The Type and Source of Data

The type of data in this research is primary data. The data source in this research is Perumda Tirta Mayang customers. Primary data was obtained through questionnaires given to customers related to customer satisfaction, service quality and financial performance variables.

Population and Sample

Population refers to a broad category of items that possess specific features and characteristics, which researchers study in order to derive conclusions. Concurrently, the sample is representative of the size and attributes of the population (Sugiyono, 2016). The population in this study related to the independent variable is the customers of Perumda Tirta Mayang, Jambi City, totaling 94,024 in the period December 2022. This research was carried out by collecting data from respondents. The data taken is from a sample that represents the entire population. In this research, the sampling technique uses the Slovin formula, which is as follows :

$$n = \frac{N}{1 + N(e)^2}$$

Where :
n = number of samples
N = total population
e = maximum error limit tolerated in the sample (10%)
Based on this formula, the number of samples taken in this research is:

$$n = \frac{94.024}{1 + 94.024(0,1)^2}$$
$$n = \frac{94.024}{941,24}$$
$$n = 99,89$$

The number of respondents obtained was 99.89 or rounded up to 100 respondents.

Method of Collecting Data

Data collection in this research:

a) Survey by giving questionnaires to 100 customers of Perumda Tirta Mayang Jambi City.
b) Field research by looking at the financial reports of Perumda Tirta Mayang Jambi City.

Method of Analysis Data

The method used to analyze this research using Logistic Regression Analysis. Logistic regression is a mathematical data analysis approach used to determine the relationship between two data components. Subsequently, it utilizes this correlation to forecast the magnitude of one of these variables based on the other variables. Predictions typically entail a limited set of possible outcomes, such as a binary choice between yes or no.

RESULTS

Test of Validity

Table 1. Test of Validity Customer Satisfaction

Indicator	Sig.	α = 5%	Results
X1.1	0,000	0,05	Valid
X1.2	0,000	0,05	Valid
X1.3	0,000	0,05	Valid
X1.4	0,000	0,05	Valid
X1.5	0,000	0,05	Valid

Table 2. Test of Validity Service Quality

Indicator	Sig.	α = 5%	Results
X3.1	0,000	0,05	Valid
X3.2	0,000	0,05	Valid
X3.3	0,000	0,05	Valid
X3.4	0,000	0,05	Valid
X3.5	0,000	0,05	Valid
X3.6	0,000	0,05	Valid

Test of Reliability

Table 3. Test of Reliability

Variabel Penelitian	Cronbach's Alpha	N of Itemns
Customer Satisfaction	0,897	5
Service Quality	0,904	6

Logistic Regression Test

Table 4. Logistic Regression Test

Case Processing Summary

Unweighted Cases[a]		N	Percent
Selected Cases	Included in Analysis	100	100.0
	Missing Cases	0	.0
	Total	100	100.0
Unselected Cases		0	.0
Total		100	100.0

a. If weight is in effect, see classification table for the total number of cases.

Iteration History[a,b,c,d]

-2 Log likelihood	Coefficients

Iteration			Constant	X1	X2
Step 1	1	95.839	-8.074	1.716	.465
	2	90.865	-12.150	2.407	.867
	3	90.408	-13.938	2.659	1.087
	4	90.401	-14.201	2.692	1.122
	5	90.401	-14.206	2.693	1.123
	6	90.401	-14.206	2.693	1.123

a. Method: Enter
b. Constant is included in the model.
c. Initial -2 Log Likelihood: 133.750
d. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

Omnibus Tests of Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	43.348	2	.000
	Block	43.348	2	.000
	Model	43.348	2	.000

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	90.401[a]	.352	.327

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

Classification Table[a]

	Observed		Predicted Y 1.00	2.00	Percentage Correct
Step 1	Y	1.00	23	16	59.0
		2.00	5	56	91.8
	Overall Percentage				79.0

a. The cut value is .500

Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I.for EXP(B) Lower	Upper
Step 1[a]	X1	2.693	.925	8.467	1	.001	14.769	2.408	90.580
	X2	1.123	.890	1.593	1	.000	3.075	.537	17.590
	Constant	-14.206	3.242	19.196	1	.000	.000		

a. Variable(s) entered on step 1: X1, X2.

DISCUSSION

The Influence of Customer Satisfaction on Financial Performance at the Regional Public Company for Drinking Water (Perumda) Tirta Mayang, Jambi City

Customer satisfaction refers to the degree to which the requirements, preferences, and anticipations of customers are fulfilled or surpassed through a transaction, leading to recurring purchases or enduring loyalty (Prakarsa & Tarigan, 2016). Judging from the odds ratio value in the variables in the equation table of 14,769, it can be interpreted that Perumda Tirta Mayang's customer satisfaction has 14,769 opportunities to improve Perumda Tirta Mayang's financial performance. It means **H1 hypothesis is accepted**

The average value of respondents' responses to the customer satisfaction variable (X1) was 75.6%. This figure is at a good level. This means that customer satisfaction with the Financial Performance of the Regional Drinking Water Company (Perumda) Tirta Mayang, Jambi City, has been carried out well. However, the answer score can be interpreted as customer satisfaction with the Financial Performance of the Regional Public Company for Drinking Water (Perumda) Tirta Mayang, Jambi City, which can still be improved or optimized in the future.

In this modern era, customer satisfaction is one of the keys to survival. As with customer satisfaction with the performance of the Tirta Mayang Regional Drinking Water Company (Perumda) Jambi City, where the company is able to provide services that are in accordance with the wishes and needs of customers so that customers do not hesitate to use water from the company, with this phenomenon it also means that the company can manage its financial performance because customers will pay for water on time. Customers with a very high level of satisfaction will be more generous, loyal to a company. Then satisfied customers will tend to "promote" this satisfaction to other parties. So that the parties, in this case the people who have not used clean water from Perumda Tirta Mayang, will be interested in using water from Tirta Mayang and become new customers. The addition of the number of customers which is the effect of customer satisfaction will have an impact on the company's financial performance which will increase, namely the company's income.

The Influence of Service Quality on Financial Performance at the Regional Drinking Water Company (Perumda) Tirta Mayang, Jambi City

Service quality is identified as one of the main features that ultimately leads to company success in terms of customer satisfaction and company performance. If the quality of a company's service is good, a person's assessment of the company will also be good, which will make people trust (Vidananda & Setiawan, 2021). Judging from the odds ratio value in the variables in the equation table of 3.075, it can be interpreted that the service quality of Perumda Tirta Mayang has a 3.075 chance of improving the financial performance of Perumda Tirta Mayang. It means **H2 hypothesis is accepted**

The results of respondents' answers stated that Perumda Tirta Mayang, Jambi City provides responsive service when customers complain, and Perumda Tirta Mayang, Jambi City tries to understand customer needs and desires. Perumda Tirta Mayang Jambi City provides a guarantee for water meter

equipment installed in customers' homes, Perumda Tirta Mayang Jambi City service procedures are fast and precise, and Perumda Tirta Mayang Jambi City provides information that is clear and easy for customers to understand.

The overall results of respondents' answers have an average score value of respondents' responses to the customer loyalty variable (X2) of 73.5%. This figure is at a good level. This means that the quality of service regarding Financial Performance at the Regional Public Company for Drinking Water (Perumda) Tirta Mayang, Jambi City has been carried out well. However, this score can be interpreted as meaning that the quality of service regarding Financial Performance at the Regional Public Company for Drinking Water (Perumda) Tirta Mayang, Jambi City can still be improved or optimized in the future.

Quality is an important factor related to company performance. Quality is defined as the suitability between products (goods or services) and customer requirements specifications. Customers need products in the form of goods or services that can provide the best performance. The higher the conformity with the specifications, the higher the quality of related products or services. High quality can make a major contribution to customer satisfaction and give the company a competitive advantage which will later influence the company's performance. Service is an activity or sequence of activities that occurs in direct transactions between a person and another person (in this case what is meant between company employees and customers) or machines that physically play a role in meeting customer needs (Vidananda & Setiawan, 2021).

The Regional Public Company for Drinking Water (Perumda) Tirta Mayang, Jambi City is required to improve the quality of its services to customers because Perumda Water Drinking Tirta Mayang is a Regional Public Company that serves the basic rights of the community, namely the need for clean water. Customer satisfaction is the main priority of the company. If the quality of the service provided is not good, then the company's performance will certainly not be good, this is because service quality is the main thing that influences the determination of a company. Service is something that cannot be separated from customers, this is in line with the services provided by Perumda Tirta Mayang Jambi City. Each employee has the duty and authority to carry out the services provided by the company as best as possible in accordance with applicable standard procedures. In this case, the better the quality of service provided by Perumda Tirta Mayang, Jambi City, the better service it will provide for the company's performance as perceived and provided by customers.

CONCLUSIONS AND RECOMMENDATIONS

On the basis of the research and discussion, it can concluded that customer satisfaction influences the financial performance of Perumda Tirta Mayang, Jambi City. From the odds ratio value in the variables in the equation table of 14,769, it can be interpreted that Perumda Tirta Mayang customer satisfaction has a 14,769 chance of improving financial performance. So that the customer satisfaction factor, although it influences the financial performance of Perumda Tirta Mayang, does not have too much influence. Service quality affects the financial performance of Perumda Tirta Mayang Jambi City. Judging from

the odds ratio value in the variables in the equation table of 3,075, it can be interpreted that the service quality of Perumda Tirta Mayang has 3,075 opportunities to improve Perumda Tirta Mayang's financial performance. Same with customer satisfaction, it turns out that even though service quality has an effect on the financial performance of Perumda Tirta Mayang, the effect is not large or even tends to be small. Perumda Tirta Mayang must improve customer satisfaction and service quality in order to achieve financial performance. As well as paying attention to other aspects that affect financial performance

FURTHER RESEARCH

For further research, we should add other variables to to measure financial performance, namely financial ratios such as return on assets, return on equity, net profit margin and so on. Then also add variables that influence financial performance such as customer loyalty

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