

# CHAPTER I

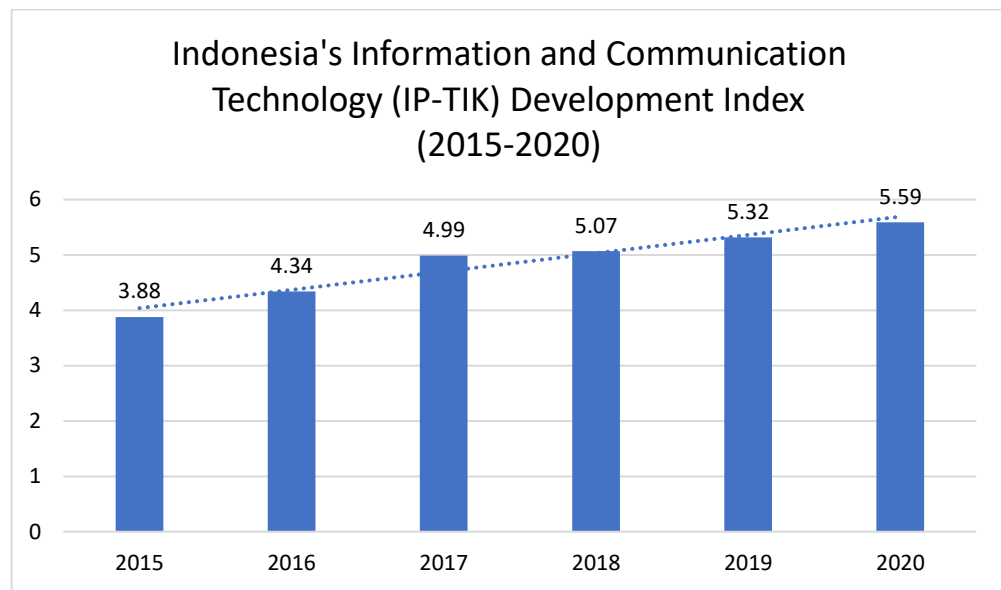
## INTRODUCTION

### 1.1 Research Background

Information and Communication Technology (ICT) has become a big part of human life. The development of ICT makes it easier for humans to do various things, where people can do almost everything online.

Al Farasyi and Iswati (2021) stated that economic and social life would continuously change as the modern era develops. For example, people had to go directly to the store before, and now people can shop through an online application. People don't have to leave their houses to find the items, no more queues for transactions, and they don't have to carry their purchases. People can have what they want anywhere they want with just one click.

According to the Official Gazette of Statistics No. 63/08/Th.XXIV, Central Bureau of Statistics Data, stated that Indonesia's Information and Communication Technology Development Index (IP-TIK) had reached 5.59 out of ten. This rate is increasing by 5.08% from the previous year. The growth of IP-TIK in Indonesia can be seen in the figure below.



**Figure 1. 1**

**Indonesia's Information and Communication Technology (IP-TIK)  
Development Index (2015-2020)**

Technological devices in people's daily lives have become essential, such as smartphones, laptops, notebooks, and personal computers. In Indonesia, 94.1% over 204.7 million internet users access the internet more often via smartphone (We are social, 2022). Smartphone plays more important roles than other devices. The escalating use of information and communication technologies has fundamentally affected how customers and the banking sector view typical banking activities (Yusuf and Bala, 2015). Verina et al. (2021) claim that the banking industry nowadays get into the digital banking era.

The increasing usage of Information and Communication Technology in today's society also dramatically changed people's lifestyles. Due to the widespread use of the internet and mobile devices, nowadays, people prefer to do activities

online, including conducting financial transactions. Because of the online lifestyle of the customer, they will likely choose banks that provide online services as well. Thus, it is crucial for business professionals to comprehend client lifestyles to provide the right services to particular consumers (Hassan et al., 2016).

Currently, the banking industry is undergoing rapid and widespread changes and advances in new technologies; for example, mobile applications as a new way to pay. These new technologies blur the boundaries between banks and make customer competition fierce. In connection with this, providing superior value to customers will give them a good experience when doing transactions. According to Zare and Mahmoudi (2020), the online experience is the customer's mental perception when interacting with a company's online proposition value. In addition, customer needs evolve as more transactions are made on mobile devices, demanding a real-time, personalized, and seamless. Therefore, understanding the value of online customer experience in new banking services is becoming increasingly important (Medberg and Heinonen, 2014).

Most banks try to develop adequate banking activities for their customers to thrive in the new digital market. However, since the services offered by banks are basically the same, the attention then shifts to the quality of the service provided. In a service-based company, it is undeniable that service quality becomes the key to the company to survival and competition with other companies. The quality of services offered by the company in online terms is called e-service quality.

According to Parasuraman et al. (2005), e-service quality is a website's ability to support efficient shopping, purchasing, and delivery.

The change in the marketplace and society, customer expectations, regulations, and the impact of globalization and efficiency require banks to focus more on services supported by information technology. Hence, the direction of future IT development will focus more on developing applications and infrastructure to support bank business needs. PT Bank Pembangunan Daerah Sumatera Barat, better known as Bank Nagari, is the Regional Government Bank on West Sumatra. As one of the regional government-owned banks, Bank Nagari is committed to promoting national economic recovery through several concrete steps focused on efforts to save and recover micro, small, and medium enterprises (MSMEs). Among them are disbursing credit to MSMEs and improving customer services through digital banking.

Bank Nagari develops payment systems that allow customers not to have too much physical contact, crowd, or not visit the bank, such as QRIS, cardless transactions, online loan applications, and others. But until now, Bank Nagari still got some complaints from customers about the mobile banking application that should make it easier for customers.

**Table 1. 1**  
**Recapitulation of Customer Complaints from Bank Nagari Mobile Banking**  
**Users 2019-2021**

	Year		
	2019	2020	2021
<b>Q I</b>	5,150	5,150	2,277
<b>Q II</b>	7,410	1,596	2,793
<b>Q III</b>	10,499	2,538	2,425
<b>Q IV</b>	3,106	1,552	2,288
<b>Total</b>	<b>26,165</b>	<b>10,836</b>	<b>9,729</b>

*Source: Bank Nagari's Annual Report 2019, 2020, 2021*

Table 1.1 shows the detailed data the company has made on customer complaints related to transaction convenience and other activities. It can be seen that there are still many customers complaining about the mobile banking application. Based on the annual report of Bank Nagari in 2019, 26,165 customers complained about the mobile banking facility. The complaint decreased by 58.6% in 2020 and 10.2% in 2021 as the complaint was responded to quickly by the company. Even though the complaint keeps reducing year by year, the number is still high. Based on this data, maintaining digital-based services can affect the level of customer complaints.

Irsyad (2022) in Langgam.id states that Bank Nagari is still the market leader in West Sumatra banking with market control. Bank Nagari's market share in West Sumatra is still the largest, reaching 34.81% in assets. Likewise, credit reached 35.8%, and DPK (third-party funds) was 43.49%. Bank Nagari has some strategies to increase its market share through increasing bank competitiveness,

among them building service excellence, especially digital banking, to increase customer loyalty. Kotler and Keller (2016) defined loyalty as a firmly held commitment to buy or subscribe to certain products or services in the future despite situational influences and marketing efforts that have the potential to cause behavior change. According to Romadhan et al. (2019), companies need loyalty since the company will not grow and develop well without loyalty; it is essential to maintain business continuity.

The fact that retaining customers is much more complicated than attracting customers nowadays also triggers companies' attention to customer loyalty. The desires of consumers who are fulfilled per their expectations will make consumers accept a product or service even to the point of being loyal to the product or service. The rapid development of information is carried out to fulfill customers' needs, which is closely related to improving service quality, online customer experience, and lifestyle.

Based on the background described above, this research will focus on **"The Influence of E-Service Quality, Online Experience, and Lifestyle on Customer Loyalty (Study at Bank Nagari Mobile Banking Users in Padang)."**

## **1.2 Problem Statement**

Based on the description of the background, the problem can be formulated as follows:

1. How does e-service quality affect the customer loyalty of Bank Nagari mobile banking users in Padang?

2. How does the online experience affect the customer loyalty of Bank Nagari mobile banking users in Padang?
3. How does lifestyle affect the customer loyalty of Bank Nagari mobile banking users in Padang?

### **1.3 Objectives of the Research**

Based on the problem identification, the objectives of the research are:

1. To determine the effect of e-service quality on customer loyalty of Bank Nagari mobile banking users in Padang.
2. To determine the effect of online experience on customer loyalty of Bank Nagari mobile banking users in Padang.
3. To determine the effect of lifestyle on customer loyalty of Bank Nagari mobile banking users in Padang.

### **1.4 Contributions of the Research**

#### **1.4.1 Theoretical Contribution**

This study aims to expand and develop intellectual dynamics related to management science, especially in marketing. It is expected to be a reference or comparison of further studies for those who want to explore or research further on issues related to the focus of this problem.

#### **1.4.2 Practical Contribution**

##### **1.4.2.1 For Companies**

This research can be used as input in the form of a contribution of thoughts that may be useful in helping to evaluate the implementation of the online service given and can be used

as a tool for planning the development of online services in the future.

#### **1.4.2.2 For Academics**

This research can be used as a reference for future researchers who are expected to develop research about the company's online service, especially in mobile banking.

#### **1.4.2.3 For Researcher**

This research helps increase knowledge and insight about aspects of the company.

### **1.5 Scope of the Research**

The researcher must carry out research restrictions to ensure that the research subject under study is narrow enough from what has been determined, considering the limitations of time and the researcher's ability. The researcher limits this research to only Bank Nagari customers who use Nagari mobile banking services. The problem studied is limited to customer loyalty after assessing the e-service quality, online experience, and lifestyle.

### **1.6 The Organization of Research**

To help analyze the problem stated above, it is crucial to organize and divide this research study into the chapter as follow:

## **CHAPTER I: INTRODUCTION**

This part will clarify the background issues, the problem statement, the goal of the research, the research's contribution, the research's scope, and the study's organizational structure.



## **CHAPTER II: LITERATURE REVIEW**

This chapter provides the correlated and appropriate theory or point of view from earlier studies. In this research, previous research theory will be used as fundamental knowledge.

## **CHAPTER III: RESEARCH METHOD**

In the research methodology section, the researcher explains the research's design, population and sample, operational definition and measurement of the research variable, sources and techniques for data collection, and techniques for analyzing data.

## **CHAPTER IV: RESULTS AND DISCUSSION**

This chapter elaborates on the result of the analysis, the characteristics of respondents, descriptive analysis, and structural measurement of the impact of e-service quality, online experience, and lifestyle on customer loyalty.

## **CHAPTER V: CONCLUSION**

This chapter is the conclusion of the analysis and research conducted previously, the limitation and benefits in the application of the study, and generating a conclusion regarding the effect of e-service quality, online experience, and lifestyle toward customer loyalty. This chapter will also give some advice for future research.