

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Nowadays, there are a lot of banks that could be selected nationally and internationally, and every bank would compete to find customers with the aim of surviving in this sector, so it is similar to business in general, even bank is just a business for everyone. And normally, for a business to survive in the fierce competition nowadays, banks can compete in several ways, starting with customer service, products, promotion, location of the bank, and many more, but with the banking industry is experiencing significant transformations in today's dynamic and digital-driven world. With advancements in technology, evolving customer expectations, and changing regulatory landscapes, banks are adapting their strategies to stay relevant and competitive.

PT. Bank Mestika Dharma Tbk. is a bank centered in North Sumatera, Indonesia, that provides banking services such as store and withdrawals, credit, investment, and insurance. PT. Bank Mestika Dharma was founded in 1955 and now the central of the bank located at Jl. H. Zainul Arifin No. 118. PT. Bank Mestika Dharma Tbk. Have 12 branch offices, 41 side branch offices, 11 cash offices, and 70 ATM machines across Indonesia.

In today's era, marketing would one of the most crucial roles to most of the business out there, because the objective of doing marketing is to communicate to customers about what the company do and what the company

can provide. By doing marketing, the consumer could find out the characteristics of the product and promotion where the consumer can find out which one is right for their needs and situation.

In today's bank situation, the consumers demand seamless, personalized, and tailored banking experiences. Banks are placing a strong emphasis on customer service, striving to understand customer needs, preferences, and behaviours. According to Subanidja (2006), the bank's performance is indicative of the performance of the banking marketing so that the poor performance of the national public banking in Jakarta tends to be caused by poor marketing performance. So, every bank's marketing is crucial, bad marketing equals to bad performance of a bank. Denton (2009) suggests that the company that has a competitive advantage will be able to achieve a high-performance marketing/superiority because the superior marketing performance can be achieved either through competitive advantage or comparative and cooperative advantages.

According to Putri & Akmalia (2017) The main activity of a bank is collecting public funds and distributing them return to society to improve the welfare of the people at large. Funds that collected to the community is the biggest source of funding to carry out credit activities.

According to Jalanggono (2018) Bank is a financial institution that aims to act as an intermediary between two parties, namely those who have excess funds and those who do not have money.

Bank interest rate is a compensation that banks offer to clients who purchase or sell their goods, depending on established guidelines. Another way to look at interest is as the cost that consumers who have savings must pay to the bank in order to receive loans (Kasmir, 2012). The type of credit determines the interest rate and amount of credit. The amount of interest paid is largely determined by the technique of calculation that will be employed. The amount of interest paid will have an impact on the monthly installment amount, which is made up of interest and the principal of the loan or debt.

Table 1.1 Interest Rates of Time Deposits in Rupiah by Bank Group (Percent Per Year)

| Group of Banks (in 12 months maturity) | 2019 | 2020 | 2021 | 2022 | August 2023 |
|----------------------------------------|------|------|------|------|-------------|
| State Banks | 6.73 | 5.28 | 3.27 | 4.71 | 5.11 |
| Regional Government Banks | 7.58 | 6.60 | 4.32 | 5.48 | 5.72 |
| Private National Banks | 6.64 | 6.29 | 6.58 | 3.82 | 4.54 |
| Foreign Banks | 6.44 | 6.67 | 7.10 | 3.95 | 5.08 |
| Commercial Banks | 6.79 | 6.51 | 6.83 | 4.71 | 5.14 |

Source: Prepared by Writer (Bank Indonesia (2023) - bi.go.id)

In essence, interest rates serve as the primary motivator for people to save. The difference between high and low interest rates will impact how much money is saved. Customers are more inclined to save when interest rates are higher, and vice versa.

Location also plays an important role in the decision of the customer to be a client or purchase product from a certain bank, because customer may not look for products that's out of reach or could cause inconvenience for them. According to Ghanimata & Kamal (2012), location is a firm's placement in a

strategic area to maximize the profit. As for example, customer that operates a store or company, they tend to choose the closest bank with them, if Bank Mestika is closer with them, they would choose Bank Mestika rather than other bank that located further away, by saving times, it can maximize productivity as well.

According to the results of the research, customer satisfaction is positively impacted by service quality. Nugroho (2014) came to the further conclusion that customer satisfaction is positively and significantly impacted by service quality.

Consumer satisfaction is positively impacted by interest rates, as demonstrated by Sari and Soliha (2018). Tumangkang (2013), however, reports that disparate findings indicate that customer happiness is negatively impacted by interest rates.

In addition, studies by Sari and Soliha (2018) demonstrate that customer satisfaction is positively impacted by location. However, different findings indicate that location has a negative impact on customer satisfaction (Manampiring, Tumbuan, & Wenas, 2016).

Analysis of customer satisfaction is crucial for businesses that promote banking service offerings. This must be done in order for businesses to continuously improve the value and profitability of banking services. This may be done by looking at the aspects or criteria that customers value when deciding whether to buy a product from a bank. Each customer's reasons for using financial products are undoubtedly unique.

Therefore, research problems can be formulated based on the problem's description and context in this study by the title of: **“THE INFLUENCE OF CUSTOMER SERVICE, INTEREST RATE, AND LOCATION ON THE CUSTOMER SATISFACTION AT PT BANK MESTIKA DHARMA SUTOMO SERDANG BRANCH, MEDAN”**

1.2 Problem Limitation

At the limit of this Customer Service, Interest Rate, and Location from PT Bank Mestika Dharma can affect customer satisfaction where all these variables are very important to note because, with this, the company will survive from existing competitors. For the existing product, PT Bank Mestika Dharma provide several products and services which are Saving account, Credit Mortgage, Deposit, and so on. For the customers, the customers who will be surveyed are clients in PT Bank Mestika Dharma for 2 years and above.

However, please note that the writer cannot summarize much about the data that PT Bank Mestika Dharma has because it is internal privacy information, which the writer cannot obtain personally, therefore, the writer will focus on writing the thesis.

1.3 Problem Formulation

The problem formulations are as follows:

- a. Does the Customer service of PT Bank Mestika Dharma partially influence customer satisfaction at PT Bank Mestika Dharma?

- b. Does the Interest rate of PT Bank Mestika Dharma partially influence customer satisfaction at PT Bank Mestika Dharma?
- c. Does Location of PT Bank Mestika Dharma partially influence customer satisfaction at PT Bank Mestika Dharma?
- d. Do customer service, interest rate and location simultaneously influence customer satisfaction at PT Bank Mestika Dharma?

1.4 Objective of the Research

The objectives of this research are as follows:

- a. To find out that the customer service, interest rate and location have a partial impact on customer satisfaction at PT Bank Mestika Dharma.
- b. To analyze that the customer service, interest rate and location have a partial impact on customer satisfaction at PT Bank Mestika Dharma.
- c. To evaluate that the customer service, interest rate and location have a partial impact on customer satisfaction at PT Bank Mestika Dharma.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The theoretical benefit of this research is to prove that the independent variables listed in this paper will have an impact on the dependent variable in the PT Bank Mestika Dharma company. That way, the writer will complete the paper with the aim of getting additional insight, especially on insights about distribution companies.

1.5.2 Practical Benefit

The practical benefit from doing this research are as follows:

- a. This research was conducted with the aim of educating readers who need information about the importance of Customer service, interest rate, and location of banking industry.
- b. This research was carried out with the aim of providing insight or input for PT Bank Mestika Dharma in order to correct several variables that were not adequate with consumers.
- c. This research was carried out with the aim of providing insight to writer to better understand the insight about PT Bank Mestika Dharma.

