

## Improving member loyalty through service quality: A case study of Citra Abadi Savings and Loan Cooperative

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### ABSTRACT

This study aims to analyze the effect of service quality on member satisfaction at the Citra Abadi Savings and Loan Cooperative (KSP). Service quality was assessed using five main elements: tangibles (physical evidence), Reliability, Responsiveness, Assurance, and Empathy. A qualitative approach, specifically a case study, was employed for data collection involving in-depth interviews with cooperative members and direct observation of the service process. Qualitative data analysis employed thematic coding to identify key patterns and insights. The results indicate that each service quality element significantly influences members' satisfaction. Comfortable physical facilities, reliable services, high responsiveness, transaction security assurance, and empathy in member interactions play crucial roles in fostering member trust and loyalty. Despite the study's focus on a single cooperative, the findings suggest that improvements in facility quality, service reliability, staff responsiveness, transaction transparency, and empathy are essential for strengthening member relationships and enhancing satisfaction. The study also acknowledges limitations such as the focus on a single cooperative, which may limit the generalizability of the results. This study contributes to improving service management in savings and loan cooperatives and provides insights for enhancing their competitiveness in supporting members' welfare and local economies.

**Keywords:** Tangibles, Reliability, Responsiveness, Assurance, and Empathy.

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RESEARCH & PUBLISHING



## 1. INTRODUCTION

Emerging economies, particularly Indonesia, recognize the strategic role of cooperatives in fostering economic development, community empowerment, and supporting small and medium-sized enterprises (SMEs). According to Law Number 25 of 1992, cooperatives contribute significantly to sustainable development by enhancing community welfare and strengthening local economies through the shared values and needs of their members (Nasution et al., 2024). One of the diversification strategies employed by cooperatives is the introduction of new services or businesses that complement existing offerings. This is evident in the substantial growth of Koperasi SACIKA, where profits surged from IDR 261,364,970 in 2021 to IDR 500,622,533 in 2023 (Zahrah et al., 2024). This demonstrates that reducing reliance on a single service can increase adaptability and financial strength. In Indonesia, cooperatives have been extensively studied, particularly in terms of service quality and member satisfaction. Several studies, such as those on Koperasi Mandiri Medan (Manik et al., 2020) and PIM Syariah's employee cooperative (Sabina et al., 2023), highlight the significance of the RATER dimensions of Responsiveness, Assurance, Tangibles, Empathy, and Reliability in achieving member satisfaction. However, despite these valuable contributions, there remains a gap in the literature regarding how specific service elements such as staff friendliness and product flexibility influence member satisfaction in smaller savings and loan cooperatives.

This research seeks to fill this gap by focusing on the Citra Abadi Savings and Loan Cooperative, a smaller cooperative that has received limited academic attention. Specifically, it examines how product flexibility and staff friendliness contribute to member satisfaction and loyalty in this context. While previous studies have explored well-established cooperatives, few have addressed these underexplored factors in smaller cooperatives, where personal interactions and adaptability are crucial. The central research questions guiding this study are as follows: How does product flexibility and staff friendliness affect member satisfaction at the Citra Abadi Cooperative? Which factors contribute to maintaining member loyalty in the cooperative? By investigating these aspects, this research provides valuable insights for improving service quality management and increasing member retention, which is critical for the long-term competitiveness and sustainability of savings and loan cooperatives.

## 2. RESEARCH METHOD

This research utilizes a qualitative case study approach to examine the service quality at the Citra Abadi Savings and Loan Cooperative. A purposive sampling strategy was used to select 15 active members of the cooperative, ensuring diverse representations of age, gender, and length of membership. Participants were selected based on their engagement with the cooperative and willingness to provide detailed insights into their experiences with the cooperative's services. Data were primarily collected through in-depth interviews, with a set of open-ended questions designed to explore members' perceptions of service quality, focusing on the five key dimensions: Tangibles, Reliability, Responsiveness, Assurance, and Empathy. In addition to interviews, participant observation was conducted during cooperative activities, such as member meetings and service interactions, providing additional context to the interview data.

The interview data were transcribed and analyzed using thematic analysis. Thematic coding was applied to identify recurring patterns and themes in the data. To ensure the trustworthiness of the findings, member checking was employed, in which initial interpretations were shared with a subset of participants to confirm accuracy. Triangulation was also applied by cross-referencing the interview data with observational data to provide a more comprehensive view of service quality. Furthermore, an audit trail was conducted to document all research procedures, enhancing the dependability of the study. By employing these methods, this study aims to provide a rigorous and credible analysis of the service quality factors affecting member satisfaction and loyalty at the Citra Abadi Savings and Loan Cooperative.

### 3. RESULT AND DISCUSSION

Various studies have established that the quality of service provided by savings and loan cooperatives greatly affects member satisfaction. All the major dimensions of service quality have been bearing tangible, reliability, responsiveness, assurance, and empathy, which have been identified as critical in determining member satisfaction and loyalty. For example, a study conducted on KSP Mitra Usaha Mandiri in North Sumatra showed that these factors have a strong influence on member satisfaction, with a correlation coefficient of 0.745, which indicates a strong relationship (Sagala & Silalahi, 2022). In addition, a study performed on the Karya Murni Savings and Loans Cooperative located in Medan revealed that while the tangibility dimension of services assists in satisfaction, empathy tearfully correlates to strong negative satisfaction and, as a whole, these serve to suggest the need for specialized services aimed at bolstering satisfaction and loyalty (Saragih, 2022). In addition, studies on customer satisfaction and retention in broader terms affirm that the quality of service rendered has a direct bearing on customer satisfaction and, subsequently, retention, which reinforces compelling other service line dimensions to foster deeper relations over time (Halika & Kharisma, 2024). In addition, a study with KSP CU Keling Kumang BO Siantan Pontianak underscores the gap that exists between a given service quality and members' expectations of such a grade, which stresses the need for better service innovation to improve member retention (Damestuteles, 2022). Taken together, these results show that service lines satisfy not only concepts of basic requirements and trust but also foster durable relationships between cooperatives and their members to fully sustain loyalty.

The physical evidence and layout of a cooperative office as a tangibility descriptor contribute greatly to the improvement in service quality and member satisfaction. Research has indicated that offices that are tidy, clean, and visibly well-organized have a positive impression regarding member satisfaction. For example, a study conducted on the Wedhatama Cooperative demonstrated not only the importance of tangibles, but also the other dimensions of service quality, on member satisfaction and participation, showing that they explained a considerable proportion of variation in these aspects (Meliana & Setiawati, 2022). This is also supported by the study of the Bhuana Arta Mulia Cooperative, which showed that, together with other service quality dimensions, tangibles have a positive impact on the level of satisfaction of members (Pertama & Dewi, 2021). In addition, a study on school cooperatives pointed out that customers have certain expectations regarding the design of rooms and comprehensiveness of facilities, which must be improved (Eta, 2024). The PT. XYZ study also identified a gap in tangibles, indicating a need for improvement to enhance employee satisfaction (Syahputra et al., 2023). Furthermore, a study conducted at the West Kapuas District Office showed that work facilities have a direct effect on the community's satisfaction with the services provided, which is partly mediated by service quality (Romi et al., 2024). All the above studies strongly indicate the need for collaborative management to improve and sustain tangibles, which will project the organization's professionalism and credibility, thus improving the members' experience.

Reliability is a critical aspect that affects member satisfaction in savings and loan cooperatives because it concerns per-satisfactory promis-fulfillment, such as loan issuance and transaction accuracy. This fosters trust and loyalty among members who view the cooperative as reliable (dependable) in meeting their needs. Managerial competence and service satisfaction markedly influence member satisfaction, as shown in a study that affirms that these factors positively impact cooperative members' satisfaction (Kandori & Ranti, 2023). Moreover, service quality, including reliability, is critical in meeting expectations and improving satisfaction, which directly impacts members' participation as debtors, that is, their active borrowing (Meliana & Setiawati, 2022). The relationship between service quality and customer satisfaction is remarkably strong, with 9 service quality customer satisfaction correlation of 96.2 %, showing how much customer satisfaction is driven by the services provided (Widiandari et al., 2023). In addition, along with service quality, customer value, and emotional intimacy, service quality profoundly affects customer loyalty, as member retention and loyalty depend on high service standards (Fandira et al., 2023). Thus, the higher the prioritization of reliability and service quality, the higher the member satisfaction and loyalty, as these factors are foundational in cultivating trust and stability.

Responsiveness to cooperative services improves the satisfaction and loyalty of cooperative members. This finding has been documented in several previous studies. Cooperative members greatly appreciate the timely and accurate responses to their questions and service requests. This helps build trust in the cooperatives. This is supported by Meliana and Setiawati's finding regarding "responding" as part of the SERVQUAL dimensions that affect an individual's satisfaction and participation in cooperative activities in the cooperatives (Meliana & Setiawati, 2022). Similarly, Qomariah and Adriadi's Public Service Research also underline the role of responsiveness, where prompt and precise answers to customer complaints go a long way to enhance service and customer satisfaction (Qomariah & Adriadi, 2024). However, in a case study of KPN Praja Nirmala, Putri showed that a lack of responsiveness can result in dissatisfaction, indicating that there are numerous areas in which services and interactions with members need to be improved (Putri et al., 2022). Further, there is a factor in the cooperative leader's managerial capability that serves to improve the service and satisfaction of members, which was the proof of Kandori and Ranti showing a positive relationship between managerial skills and members' satisfaction (Kandori & Ranti, 2023). Taken together, these studies highlight the key role responsive relations and active strategy management play in creating productive and participatory cooperatives that suit the requirements of members.

For a cooperative, such as Savings and Loan Cooperative Citra Abadi, assurance, as well as service guarantee, is a prominent determinant of service quality because it affects member satisfaction and loyalty. Assurance encompasses employees' competence in providing accurate and precise instructions during information and transaction management. These findings are in line with the Wedhatama Cooperative Study, which explains assurance as an important dimension of service quality that impacts member satisfaction and participation (Meliana & Setiawati, 2022). Additionally, the absence of regulations for legal frameworks to guarantee the protection of deposits in Indonesia underscores the need for regulations that provide legal protection for member deposits (Mursid et al., 2023). Effective management that enhances both the service provided and the satisfaction of members also matters, which speaks to the managerial competence discussed in cooperatives (Kandori & Ranti, 2023). Moreover, service quality, especially assurance, is crucial to member satisfaction; however, high loan interest rates and steep administrative costs may lead to dissatisfaction (Saragih, 2022). Strengthening training in business and financial management for cooperative employees can improve their competencies, service quality, and competitive advantage (Tyas et al., 2022). Taken together, these components provide assurance and guarantee the cultivation of an atmosphere of professional services that directly improves satisfaction and strengthens the cooperative-member relationship.

Savings and Loan Cooperative Citra Abadi's efforts to solve problems with empathy show a strong commitment to addressing the individual needs of its members, helping foster trust and loyalty, which has been documented in various case studies on cooperative service quality and member satisfaction. The Pratama Surya Makmur Savings and Loans Cooperative illustrates that emotional closeness, in combination with customer value and service quality, improves customer loyalty, confirming the need for empathetic customers in cooperative dealings (Fandira et al., 2023). Furthermore, Wedhatama Cooperative's focus on empathy as a dimension of service quality shows how it markedly affects member participation and satisfaction, helping to meet and exceed member engagement needs (Meliana & Setiawati, 2022). Empathy enables prosocial and interpersonal connections that are vital to cooperatives seeking to achieve emotional closeness to their members (Genzer et al., 2023). A conceptual framework for assessing the needs of cooperative members proposed by Novoselova and Barkova also potentially enhances interaction by fulfilling emotional and social dimensions which boosts member satisfaction and loyalty (Новоселова & Баркова, 2021). The aspects of empathy outlined by Marsh as the imaginative construction of another's consciousness can be applied in cooperative contexts to improve member relations and the overall standard of services offered (Marsh, 2022). Taken together, these ideas show that cooperatives must adopt a humanist paradigm based on empathy to nurture an environment that builds trust and loyalty among members.

#### **4. CONCLUSION**

This study demonstrated that service quality at the Citra Abadi Savings and Loan Cooperative significantly impacts member satisfaction and loyalty. The five key dimensions of tangibles–reliability, responsiveness, assurance, and empathy—are all critical in shaping the cooperative's success. However, these findings also suggest that certain areas require more attention. Tangibles play a significant role in shaping members' perceptions of professionalism and trust. It is recommended that Citra Abadi invest in enhancing the physical environment by improving the ergonomics of communication tools and ensuring that service rooms are well-organized and comfortable. Reliability is another important factor affecting satisfaction. It is recommended that Citra Abadi streamline the loan approval process through better internal coordination and digital solutions to speed up transactions. Responsiveness also emerged as a key factor in member satisfaction. Many members highlighted the importance of timely responses to their concerns. To improve responsiveness, Citra Abadi staff should undergo additional customer care and public relations training to ensure quick and effective problem-solving.

Assurance is important to members, particularly regarding the security of their transactions. Some members mentioned concerns regarding the lack of clear regulations to protect their deposits. Strengthening transaction security and ensuring that members feel confident about their financial safety are critical for maintaining trust. Finally, Empathy emerged as a unique and valuable aspect of service. Members expressed a desire for more personal interactions with the staff. This highlights the need for Citra Abadi to cultivate more personal relationships with members by training staff in empathetic engagement, which is particularly important for smaller cooperatives. This finding of this study suggest that while Citra Abadi performs well in many service quality dimensions, there are specific areas that require further improvement, such as the loan approval process, staff training in empathy, and transaction security. By addressing these areas, Citra Abadi can enhance member satisfaction, loyalty, and long-term sustainability, positioning itself for continued success in the cooperative sector.

#### **Ethical approval**

This study was conducted in accordance with the ethical principles outlined in the Declaration of Helsinki.

#### **Informed consent statement**

All participants were informed of the purpose of the study, and informed consent was obtained prior to data collection. Participation was voluntary, and all responses were kept confidential and used solely for academic research purposes.

#### **Authors' contributions**

N.R. contributed to the conceptualization of the study, literature review, and drafting of the initial manuscript. L.A.M. supervised the research process, provided critical revisions, and contributed to the methodological design and analysis. D.C.N. contributed to the data collection, interpretation of results, and refinement of the discussion section. All authors reviewed and approved the final version of the manuscript for submission.

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#### **Statement of Disclosure**

There were no conflicts of interest disclosed by the authors.

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