The Effect of Relationship Marketing, Service Quality, and Brand Image on Customer Loyalty at BUMDESMA Sidayu Sejahtera lkd

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ABSTRACT
The sustainability of community-based financial institutions depends on their ability to maintain customer satisfaction and loyalty. This study examines the effects of Relationship Marketing, Service Quality, and Brand Image on Customer Loyalty through Customer Satisfaction among customers of BUMDESMA Sidayu Sejahtera lkd. A quantitative causal research design was employed, involving 346 respondents selected from a population of 2,578 active customers. Data were analyzed using Structural Equation Modeling-Partial Least Squares (SEM-PLS). The findings reveal that Relationship Marketing, Service Quality, and Brand Image significantly influence both Customer Satisfaction and Customer Loyalty. Furthermore, Customer Satisfaction has a significant positive effect on Customer Loyalty and serves as an important mediating mechanism. The results highlight the importance of strengthening customer relationships, improving service quality, and maintaining a positive institutional image to enhance long-term customer loyalty.

Keywords: *Relationship Marketing, Service Quality, Brand Image, Customer Satisfaction, Customer Loyalty.*

1. INTRODUCTION

Technological advancement and digital transformation have significantly changed customer behavior in financial service utilization. Community-based financial institutions are increasingly required to provide superior services and maintain long-term relationships with customers in order to remain competitive. BUMDESMA Sidayu Sejahtera lkd, as a village-owned community financial institution, faces similar challenges in sustaining customer participation and strengthening customer loyalty.

Customer loyalty is considered a strategic asset because loyal customers are more likely to continue using services, recommend the institution to others, and maintain long-term relationships. In community-based financial institutions, loyalty is particularly important because organizational sustainability depends heavily on community trust and participation.

Previous studies have identified Relationship Marketing, Service Quality, and Brand Image as important determinants of customer satisfaction and loyalty. Relationship Marketing emphasizes the development of trust, commitment, communication, and conflict handling to establish long-term customer relationships. Service Quality focuses on customers' perceptions of service performance, while Brand Image reflects customers' overall perceptions and beliefs regarding an organization. Despite extensive studies in banking and digital service industries, limited research has simultaneously examined these variables in the context of community-based microfinance institutions.

Furthermore, prior studies have reported inconsistent findings regarding the relationships among these constructs, indicating the existence of a research gap. This study addresses this gap by investigating the direct and indirect effects of Relationship Marketing, Service Quality, and Brand Image on Customer Loyalty through Customer Satisfaction in the context of BUMDESMA Sidayu Sejahtera lkd.

2. LITERATURE REVIEW

2.1. Relationship Marketing

Relationship Marketing refers to organizational efforts aimed at establishing, developing, and maintaining mutually beneficial long-term relationships with customers. Trust, commitment, communication, and conflict handling are considered key dimensions of effective relationship marketing. Previous studies indicate that strong relational strategies positively influence customer satisfaction and loyalty.

H1: Relationship Marketing has a positive effect on Customer Loyalty.

H2: Relationship Marketing has a positive effect on Customer Satisfaction.

2.2 Service Quality

Service Quality is defined as the organization's ability to deliver services that meet or exceed customer expectations. According to the SERVQUAL framework, service quality consists of reliability, responsiveness, assurance, empathy, and tangibles. High-quality services enhance customer trust, satisfaction, and loyalty.

H3: Service Quality has a positive effect on Customer Loyalty.

H4: Service Quality has a positive effect on Customer Satisfaction.

2.3 Brand Image

Brand Image represents customers' perceptions and associations regarding an organization's reputation, credibility, and overall quality. A positive image can strengthen customer confidence and increase loyalty toward the institution.

H5: Brand Image has a positive effect on Customer Loyalty.

H6: Brand Image has a positive effect on Customer Satisfaction.

2.4 Customer Satisfaction and Customer Loyalty

Customer Satisfaction reflects customers' evaluations of whether organizational performance meets or exceeds expectations. According to Expectancy Disconfirmation Theory, satisfied customers are more likely to remain loyal and continue using services.

H7: Customer Satisfaction has a positive effect on Customer Loyalty.

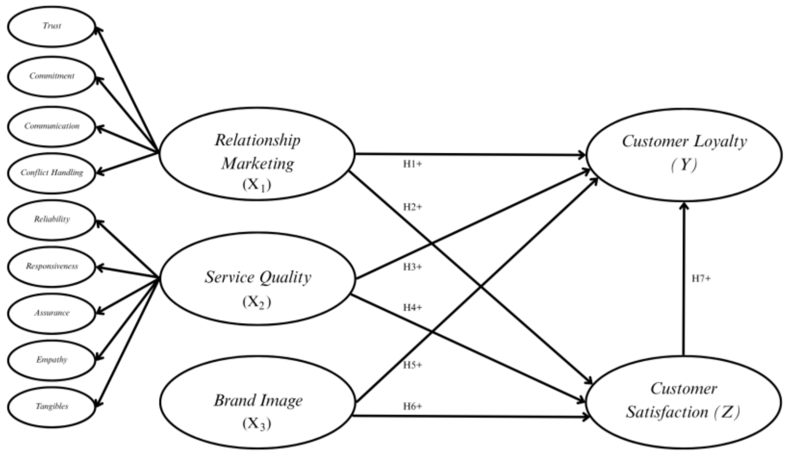

Figure 1. Research Framework

3. RESEARCH METHODS

This study employed a quantitative approach with a causal research design. The research was conducted at BUMDESMA Sidayu Sejahtera lkd, a community-based financial institution located in Sidayu District, Gresik Regency, East Java, Indonesia.

The population consisted of 2,578 active customers. Using proportional sampling, 346 respondents were selected as research participants. Respondents were required to be active users of BUMDESMA services and have utilized the services within the previous six months.

Data were collected through a structured questionnaire using a five-point Likert scale. Relationship Marketing was measured through trust, commitment, communication, and conflict handling. Service Quality was measured using reliability, responsiveness, assurance, empathy, and tangibles. Brand Image, Customer Satisfaction, and Customer Loyalty were measured using indicators adapted from previous studies.

The data were analyzed using Structural Equation Modeling-Partial Least Squares (SEM-PLS). The analysis included assessments of validity, reliability, coefficient of determination (R^2), and hypothesis testing through bootstrapping procedures.

4. RESULTS AND DISCUSSIONS

The respondent profile indicates that most respondents were female, aged between 41 and 50 years, had completed senior high school education, and had used BUMDESMA services for more than four years.

Table 1. Reliability Test Result and Latent Variable Validity Test Result

Variable	Dimension	Cronbach's Alpha
Customer Loyalty	-	0,930
Relationship Marketing	Trust	0,970
	Commitment	
	Communication	
	Conflict Handling	
Service Quality	Reability	0,978
	Responsiveness	
	Assurance	
	Empathy	
	Tangibles	
Brand Image	-	0,909
Customer Satisfaction	-	0,953

The measurement model assessment showed that all indicators met the requirements for convergent validity and reliability. Outer loading values exceeded 0.70, Average Variance Extracted (AVE) values were above 0.50, and Composite Reliability values exceeded 0.70.

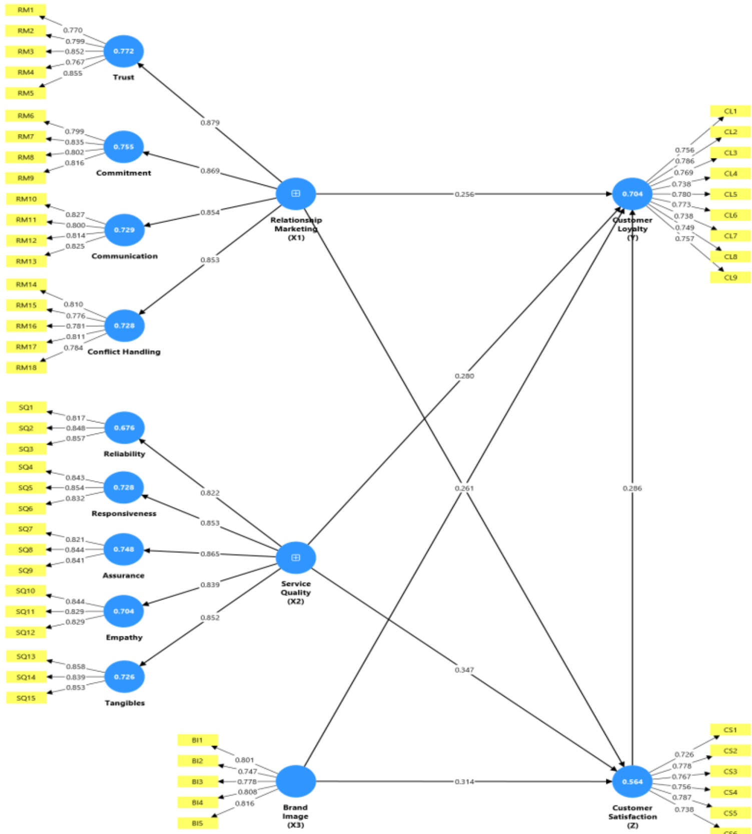

Figure 2. Research Model Construct

Table 2. R-Square Results

Endogenous Variable	R²	Category
Customer Satisfaction (Z)	0,563	Moderate
Customer Loyalty (Y)	0,704	Strong

The structural model evaluation revealed that the R^2 value for Customer Satisfaction was 0.563, indicating that Relationship Marketing, Service Quality, and Brand Image explained 56.3% of the variance in Customer Satisfaction. Meanwhile, the R^2 value for Customer Loyalty was 0.704, indicating that the model explained 70.4% of the variance in Customer Loyalty.

Table 3. Hypothesis Test Result (Direct and Indirect Effects)

Hypothesis	Relationship Between Variables	Hypothesized Direction	Path Coefficient (β)	t-Statistic	p-Value	Decision
H1	RM → CL	Positive (+)	0,255	4,697	0,000	Supported
H2	RM → CS	Positive (+)	0,26	4,342	0,000	Supported
H3	SQ → CL	Positive (+)	0,281	4,265	0,000	Supported
H4	SQ → CS	Positive (+)	0,347	5,178	0,000	Supported
H5	BI → CL	Positive (+)	0,205	3,474	0,001	Supported
H6	BI → CS	Positive (+)	0,315	4,388	0,000	Supported
H7	CS → CL	Positive (+)	0,286	5,026	0,009	Supported

Hypothesis testing results demonstrated that Relationship Marketing significantly affects Customer Loyalty and Customer Satisfaction. These findings indicate that customers who perceive stronger relationships with BUMDESMA tend to be more satisfied and loyal.

Service Quality was also found to have a significant positive effect on Customer Satisfaction and Customer Loyalty. High-quality services increase customer confidence and improve overall customer experiences.

Similarly, Brand Image significantly affects both Customer Satisfaction and Customer Loyalty. Customers who perceive BUMDESMA as trustworthy and reputable are more likely to remain loyal to the institution.

Customer Satisfaction was found to have a significant positive effect on Customer Loyalty. This finding confirms that satisfied customers are more likely to continue using services and recommend the institution to others.

Overall, the results support all seven proposed hypotheses and confirm the importance of relationship marketing, service quality, and brand image in strengthening customer loyalty through customer satisfaction.

5. CONCLUSION

This study examined the effects of Relationship Marketing, Service Quality, and Brand Image on Customer Loyalty through Customer Satisfaction among customers of BUMDESMA Sidayu Sejahtera lkd.

The findings indicate that Relationship Marketing, Service Quality, and Brand Image significantly influence Customer Satisfaction and Customer Loyalty. Customer Satisfaction also significantly affects Customer Loyalty, confirming its important role in fostering long-term customer relationships.

From a managerial perspective, BUMDESMA managers should focus on strengthening customer relationships, improving service quality, and maintaining a positive institutional image to enhance customer satisfaction and loyalty. Future studies are encouraged to incorporate additional variables and broader research settings to improve the generalizability of findings.

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