

# E-loyalty of Gen Z in Using Mobile Banking in Indonesia

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## ABSTRACT

The purpose of this study is to learn more about how Generation Z behaves when it comes to utilizing mobile banking in Indonesia. According to the findings, the participants in this research are university students who use Bank Nagari mobile banking services. Purposive sampling was used in this study with respondents criteria are Gen Z aged 18-24 years old and mobile banking users who living in Padang city. In this study, there were 140 respondents, data was collected through online questionnaires, and data analysis was performed using the Smart PLS software. This study shows that (1) E-service quality has a favorable and statistically significant effect on e-loyalty. (2) Customer satisfaction is influenced by the e-service in a favorable and statistically significant way. (3) The quality of e-services is beneficial and significantly affected customer trust. (4) Customer satisfaction, both positive and substantial has a considerable effect on e-loyalty. (5) E-loyalty is influenced by many factors, the most crucial of which is customer trust. (6) e-service quality positively and statistically significant effect on e-loyalty, with customer satisfaction as a mediator. (7) With consumer trust acting as a mediator, e-services quality has a negligible influence on e-loyalty. (8) Customer satisfaction has a positive and considerable impact on customers' level of trust in a company.

**Keywords:** “e-loyalty”, “customer satisfaction”, “customer trust”, e-service quality, “mobile banking”, “gen z”.

## 1. INTRODUCTION

By 2020, millennials will dominate the population in Indonesia with a portion of about 34 percent, followed by 20% of Generation X, and 13% of baby boomers (born 1946 to 1964). The millennials population will be potential market especially for digital industry. Furthermore, based on the results of a Research & Business Consulting survey in 2021 to 200 people who are gen Z aged 18-24 years showed the penetration rate of digital banking in the new generation Z reached 30 percent [1]. As many as 70% still choose conventional accounts. Moreover, as many as 60 percent of generation Z is more fond of e-wallets that they consider a digital banking but actually is not same meaning because e-wallet access is using the availability of banking app. The terms of digital banking is a form of digitization of all conventional banking activities and services, is still believed to be limited to mobile banking, which is a service that allows bank customers to make banking transactions via mobile phone or smartphone using menus that are already available through applications that can be downloaded by customers.

It is likely that when this younger age was approached about opening a bank account, they would not identify the bank's name or brand recognition. They consider the

reputation of the bank and loyal to transparent brand more than the sophistication of technology or applications in the internet banking system itself.

The object of this study is Bank Nagari who developed the community's economy, especially in West Sumatra. Bank Nagari is one of bank in Padang that provides services for university students. Bank Nagari named their m-banking application “Nagari Mobile Banking”. They launched the m-banking application in November 2018 [2]. Nagari Mobile Banking is designed to meet customers' needs for fast, easy, and secure transactions. Nagari Mobile Banking provides users with personalized services, including balance information, history of the last 10 transactions, transfers between accounts, bank transfers, payments for all financial needs, complete multi-billing purchases, and innovative management menus that exceed customer expectations should be done in front of the teller, now it can be done anytime, anywhere, without having to come to a bank branch office or Automated Teller Machine (ATM) [3]. With the m-banking feature at this bank, customers can use the bank more loyalty in the future or customer loyalty. Customer loyalty is a long-term competitive advantage for the organization, not only short-term since customer loyalty has strategic value, especially banking services. According to [4]. Definition of e-loyalty to a brand is one of the brand assets. This is of

course very expensive in value because to build it, there are many challenges that must be faced and require large costs and a very long time. There are several aspects that can increase e-loyalty to companies that will be discussed in previous studies, namely e-service quality mediated by customer satisfaction and trust [5]. Other studies have examined the link between e-service quality and e-loyalty, specifically in the role of customer satisfaction and trust as mediators. [6]. This study will investigate the influence of factors including e-service quality, customer satisfaction, and trust using mobile banking of Bank Nagari in Padang city on gen Z's e-loyalty.

## 2. LITERATURE REVIEW

### 2.1 e-Loyalty

E-loyalty can be referred to as “customer's willingness to maintain a stable future relationship and to engage in repeat visit behavior and/or purchase of online products/services, using the company's website as the first choice among alternatives, backed by favorable beliefs and emotions. positive towards online companies, despite situational influences and marketing efforts that lead to transfer behavior” [7].

*According to [5] and [8] the factors that influence e-loyalty are as follows:*

1. Customer Satisfaction is a feeling that is obtained before performing the performance and after being felt.
2. Customer Trust, a person's belief in certain services or products.
3. e-Service Quality which is perceived service for certain services or products in the internet network.

### 2.2. e-Service Quality

E-service quality, as opposed to traditional service quality, was described as the total evaluation and assessment of services' quality over the internet [9]. [10] Furthermore, e-service quality is an overall customer evaluation and assessment of the electronic service delivery quality in the online market, which is defined as follows: Customer service quality is a fundamental factor in a company's long-term performance and a determinant of competitive advantage. [10]. Based on research conducted by [5], e-service quality indicators are:

- Products and services
- Comfort
- Interactive support

### 2.3. Customer Satisfaction

According to [11], customer satisfaction is a crucial predictor of customer loyalty. Customer satisfaction is a metric that measures how effectively a company's services meet or exceed the expectations of its customers. This satisfaction is obtained through the expectations that consumers have for the services that provided, if reliability, security, ease of use, etc are fulfilled by the service, customer satisfaction will be high. Customer satisfaction, defined as meeting the wants and expectations of customers [12], is the fundamental principle of marketing.

Customer satisfaction indicators in this study adopt from research that has previously been conducted by [5] namely:

- Happy.
- Belief.
- Satisfaction.

### 2.4 Customer Trust

According to [13], customer trust is vital for preserving relationships and rebuilding loyalty to service providers. Customer trust is a trust formed in view of experience related to a company determined based on past experience offering customers multiple opportunities to assess the company's capacity, kindness, and trust [14]. Customer trust is a positive expectation of the service provider's favourable behaviour by revising the services provided [15].

Based on research conducted by [5], there are three indicators that affect customer trust:

- Secure transaction.
- Trust the security of personal information.
- Believe there is no misuse of personal information.

### 2.5 The Relationship Between Variables

#### 2.5.1. e-service quality and e-loyalty

based on a study by [9], various research supported the theoretical relationship between e-service quality and client e-loyalty, demonstrating that features of e-service quality had a positive and significant effect on e-loyalty.

#### 2.5.2. e-service quality and customer satisfaction

Based on a study conducted by [16], e-service quality has a significant positive effect directly on customer satisfaction.

#### 2.5.3. e-service quality and customer trust

According to [17], e-service quality is expected to contain a direct effect on customer trust, because they

provide a signal of trust that is conveyed from the site and system to the customer.

2.5.4. Customer satisfaction and e-loyalty

Based on the study conducted by [18], customer satisfaction has a direct link and mediates e-loyalty. This is evident from the results of this study and demonstrates satisfaction from m-banking on previous interactions has a positive influence on the loyalty

2.5.5. Customer trust and e-loyalty

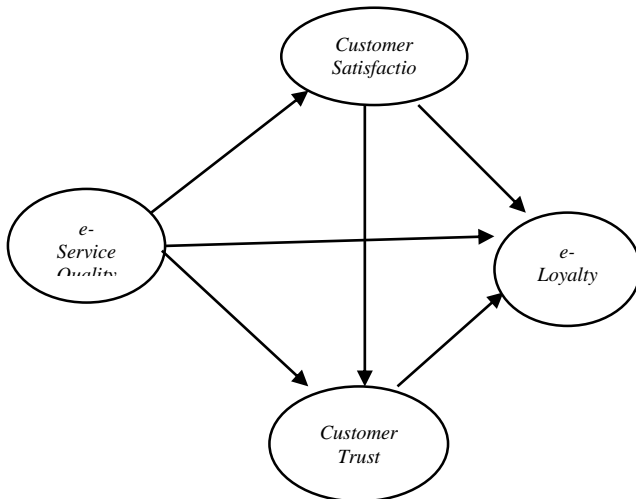
In research conducted by [19] proved that customer trust influences e-loyalty this research examines the relationship of customer trust to e-loyalty in e-service quality in e-commerce. Another study that proves that the influence of customer trust on e-loyalty is research conducted by [20] which examined the relationship that e-loyalty is affected by customer trust in e-commerce.

2.5.5. Customer satisfaction and trust

Customer trust, rather than just customer satisfaction, according to a study by [21], is the company's ultimate aim if it wants to keep consumers over an extended period. When it comes to client retention, service providers must consider elements other than customer satisfaction, such as customer trust, to keep consumers.

**2.6 Conceptual Framework**

To see more clearly the relationship of each variable that has been described above, the form of the conceptual framework is as follows:



**Figure 1 Conceptual Framework**

Hypotheses :

- H1: the e-loyalty of m-banking users is positively affected by e-service quality.
- H2: customer satisfaction of m-banking users is positively affected by e-service quality.

- H3: E-Service Quality has a beneficial influence on Customer Trust of m-Banking users
- H4: E-Loyalty of m-Banking users is positively affected by customer satisfaction.
- H5: Customer trust has a beneficial influence on the e-loyalty of m-banking users.
- H6: Customer trust of m-banking users is positively affected by customer satisfaction.
- H7: e-service quality has a positive impact on e-loyalty mediated by customer satisfaction of m-banking users.
- H8: e-service quality has a positive impact on e-loyalty mediated by customer trust of m-banking users.

**3. RESEARCH METHODS**

The is a quantitative descriptive study that is sourced from primary data collected through online questionnaires with Likert scale. The population this study is the university students who living in Padang city. Probability sampling with purpose sampling with respondent criteria are Gen Z aged 18-24 and mobile banking user of Bank Nagari.

Sampling can be taken depending on the number of indicators multiplied by 5 to 20". So in this study the number of indicators used is 14, so the sample of this study 140 with using formulation [22] is as follows: Sample = Number of Indicators x 10 = 14 x 10 = 140 Data were analyzed with PLS and classified based on the measurement model and tested using the structural model where validity testing was used which in this study involves two methods, namely convergent validity, and discriminant validity. Subsequently, a reliability test would be performed as indicated from Cronbach's alpha and composite reliability values, as well as the structural model by testing r square, q square, and goodness of fit. This is performed to decide the effect and link direction between variables and assess variables' significance.

**4. RESULTS AND DISCUSSION**

The validity and reliability of the instrument are tested in the measurement model test (outer model). For the validity test, this was performed to determine the extent of the measuring ability of the instrument. This test aims to measure the quality of the instrument used and demonstrates the validity of an instrument and the extent of defining a concept by a measure [22]. The validity test is measured by convergent validity which requires that the loading factor value received be higher than 0.7 and the average variance extracted (AVE) value should be greater than 0.5. This study's validity test passed with a minimum score for the construct validity test. Table 1 shows the outcome for outer loading.

**Table 1. Outer Loading**

	Customer Satisfaction (M1)	Customer Trust (M2)	E-Loyalty (Y)	E-Service Quality (X)
Customer Satisfaction 1	0.91			
Customer Satisfaction 2	0.869			
Customer Satisfaction 3	0.881			
Customer Trust 1		0.883		
Customer Trust 2		0.871		
Customer Trust 3		0.895		
E-Loyalty 1			0.789	
E-Loyalty 2			0.892	
E-Loyalty 3			0.862	
E-Loyalty 4			0.851	
E-Loyalty 5			0.857	
E-Service Quality 1				0.815
E-Service Quality 2				0.724
E-Service Quality 3				0.827
E-Service Quality 4				0.721
E-Service Quality 5				0.799
E-Service Quality 6				0.795

Cross loading value testing should be supported with the root results of Average Variance Extract (AVE) on latent variable correlations to strengthen the valid discriminant validity test. Here are the results of root AVE testing on latent variable correlations seen in table 2 :

**Table 2 Output AVE**

	Average Variance Extracted (AVE)
Customer Satisfaction (M1)	0,786
Customer Trust (M2)	0,779
E-Loyalty (Y)	0,724
E-Service Quality (X)	0,574

Discriminant validity correlates to the principle that different construct gauges should not be high-correlated.

**Table 3 Discriminant Validity**

Variables	Customer Satisfaction	Customer Trust	E-Loyalty	E-Service Quality
Customer Satisfaction	<b>0.887</b>			
Customer Trust	0.784	<b>0.883</b>		
E-Loyalty	0.784	0.718	<b>0.851</b>	
E-Service Quality	0.853	0.761	0.771	<b>0.796</b>

The cross loading value that discriminant validity shows in table 3, the value of the variable score to the indicator is higher than the value of the variable score to other indicators. It can be concluded that all indicators tested in the study are declared valid.

Reliability test measurement is carried out by examining the output value of composite reliability. Here are the results of rehabilitation tests on each latent variable with the help of SmartPLS software.

**Table 4 Reliability Test**

Variables	Cronbach's Alpha	Composite Reliability
Customer Satisfaction	0.864	0.917
Customer Trust	0.858	0.914
E-Loyalty	0.904	0.929
E-Service Quality	0.884	0.912

Based on Table 4 This indicates that variables have good rehabilitation or are able to measure their constructs. A variable sufficiently reliability can be that variable has Cronbach alpha > 0.6 and composite reliability > 0.7.

**Table 5 Hypotheses Results**

	Original Sample	T Statistics	P Values	Hypotheses
e-service quality -> e-loyalty	0.310	2.627	0.009	Accepted
e-service quality -> customer satisfaction	0.853	26.447	0	Accepted
e-service quality -> customer trust	0.339	3.150	0.002	Accepted
customer trust -> e-loyalty	0.192	1.855	0.064	Rejected
customer satisfaction -> e-loyalty	0.370	3.497	0.001	Accepted
e-service quality -> customer satisfaction -> e-Loyalty	0.316	3.340	0.001	Accepted
e-service quality -> customer trust -> e-loyalty	0.065	1.602	0.110	Rejected

**4.1. E-service quality has a significant positive effect on e-loyalty**

The result is backed by a previous study performed by [23], which states that good e-service quality is defined by the perceived quality of e-service quality that directs to customer satisfaction. Moreover, this is appropriate with the existing literature that customer satisfaction with electronic media will be defined by the perceived quality of e-service, and this affects the loyalty of online retailers.

**4.2. E-service quality has a significant positive effect on customer satisfaction**

The result was also appropriate with those obtained by [24] and shows that e-service quality has a beneficial impact on e-satisfaction, as a company's service quality can either improve or reduce the satisfaction of customers after a transaction.

**4.3. E-service quality has a significant positive effect on customer trust**

The outcomes of this study match previous research [25], which found that "customer trust" from offline to online providers is not as strong as digital banking with other e-service qualities. Digital banking consumers have high-security expectations because of the financial services character and the hazards connected with the internet.

#### 4.4 Customer satisfaction has a significant positive effect on e-loyalty

This may be observed from the findings of research conducted by [18], which says that based on previous interactions, satisfaction from m-banking has a positively affected customer loyalty, and that customer satisfaction has a direct link with e-loyalty mediating it. Customers' satisfaction and e-loyalty are also linked directly and indirectly.

#### 4.5. Customer trust has insignificant effect on e-loyalty

This is supported with previous study conducted by [26], the customer trust not significant effect on e-loyalty. In this case, it is possible because Generation Z has little experience interacting using services provided by conventional bank. The trust of gen z customer have different habits with previous generation which gen Z have higher expectation and preferences in using mobile banking. If they feel the banking app not support their expectation they will easily switch to other digital banking. On the other hand, a financial services firm that wants to build trust with the gen Z segmentation must be upfront and honest about their charges, be open to dialogue with them, be transparent about their actions involving the personal assets of their customers, and be authentic in their service delivery to build trust.

#### 4.6. E-service quality has a significant positive effect on e-loyalty with customer satisfaction as a mediation

This results was supported by previous study conducted by [27] which states that customer satisfaction can mediate between two other concepts because once the service quality is not satisfying, the customer will be disloyal. Furthermore, service quality can be measured by developing an e-service quality scale.

#### 4.7. E-service quality has a significant positive effect on e-loyalty with customer trust as mediation

This results was supported with previous research conducted by [19] , it proves that customer trust affects e-loyalty however previous study examines the relationship between customer trust and e-loyalty in e-service quality in e-commerce.

#### 4.8. Customer satisfaction has a significant positive effect on customer trust

According to the prior study by [21], customer trust, rather than just customer satisfaction, is the company's ultimate aim to keep consumers for a lengthy period. When it comes to client retention, service providers must consider elements other than customer satisfaction, such as customer trust, to keep consumers.

## AUTHORS' CONTRIBUTIONS

This research examines aspects of e-service quality, as well as customer satisfaction and trust. Also, the quality against customer satisfaction, trust, and e-loyalty have a direct relationship and indirect relationship mediated by customer satisfaction and trust. Meanwhile customer trust does not directly or indirectly affect to e-loyalty. The loyalty of Gen Z not based on customer trust but focus on products or service experience. To some extent, we can say that gen Z conversion standards are higher than those of previous generations. Thus, it can be concluded that the trust of gen z as mobile users in this study not impact to loyalty because the gen z is easy to opening an account at another digital bank.

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