Journal of Economics, Business and Accountancy Ventura Volume 14, No. 3, December 2011, pages 225 – 238
Accreditation No. 110/DIKTI/Kep/2009

THEORETICAL TESTING ON SERVICE QUALITY AND PRODUCT INNOVATION OF SMALL-MICRO CREDIT BANKS (A CASE STUDY)

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ABSTRACT

The research topic is a theoretic influence of service quality and product innovation on customer loyalty which are mediated by customer satisfaction and customer trust borrowing micro and small scale credit of public bank in Jember Regency. The research examines the influences of: service quality on customer satisfaction and customer trust as well as customer loyalty, customer satisfaction on customer loyalty, product innovation on customer trust and customer loyalty, customer trust on customer loyalty borrowing micro and small scale credit of public bank in Jember Regency. A purposive sampling with disproportional allocation on 120 respondents was used to determine the sample (BRI, BNI, Bank Mandiri, and Bank Jatim branch office Jember), employing the Structural Equation Modeling with AMOS Version 5.0. The results show that the service quality influences significantly the customer satisfaction and the customer trust as well as the customer loyalty with a positive relationship direction; The customer satisfaction and the product innovation influences significantly the customer trust with a positive relationship direction; The customer trust influence significantly the customer loyalty with a positive relationship direction. The customer satisfaction and the product innovation do not influence the customer loyalty. The customer loyalty of the small and micro debtors of the public banks in Jember Regency are direct influenced by the service quality and the customer trust, and are indirectly influenced by the service quality, the customer satisfaction and the product innovation; the customer satisfaction and the product innovation do not either directly nor significantly the customer loyalty.

Key words: *theoretical model, service quality, product innovation, customer satisfaction, customer trust, customer loyalty.*

INTRODUCTION

Credit, currently, is an activity by the banks with a predominantly high contribution to bank revenue. In addition, the development of micro and small enterprises in counties, especially in Jember seems more rapid than medium and large ones. Yet, to get the quality of customer service after receiving services from a particular bank can be compared with their expectations of quality service. The customers will be satisfied if the quality of service they receive can meet expectations. Satisfied customers will be willing to establish a shelf-term relationships are more valuable to the bank (Dimyati, 2009).

Customer will be motivated to believe in banks when the banks are able to provide good quality service to them. In the end, customers have the interest to maintaining relationships with banks (Dimyati, 2008). Quality of service is dynamic, which changes according to customer demands (Nirvana, 2006). As stated by Widjaja (2002) that the characters of customers in Indonesia show customers satisfaction has a significant effect on customer loyalty (Hawkins et al, 1995; Fornel et al, 1996; Peltier et al, 2002, Boonajsevee, 2005).

Yet, other studies show that customers' satisfactions have no effect on customer loyalty as indicated by some satisfied customers for products or services of a company. They tend to switch to other standard enterprise that offers better service when they need the same again (Jones and Sasser, 1995; Dimyati, 2008). The existence of differences in the results, encouraging further research needs to be done.

Bank marketing success also depends on the innovation of products / services by the banks (Yasid, 1999). Based on the phenomenon of business, research and gap in the existing theories, then the problems in this study is concerned with the influence of the quality of service on satisfaction; quality of service on the trust; satisfaction of the trust; quality of service on loyalty; satisfaction on loyalty; product innovation on the trust; innovation product loyalty, and trust in the loyalty of the debtor credit for micro and small banks in Jember.

This study aims to examine the effect of: quality of service to satisfaction; quality of service to the trust; satisfaction of the trust; quality of service to loyalty; satisfaction to loyalty; product innovation to the trust; innovation product loyalty, and trust in the loyalty of the debtor credit for micro and small commercial banks in Jember.

THEORETICAL FRAMEWORK

Quality of service affects customer loyalty of the banks. Consumer evaluation of service quality lies in the balance between expectations and their perceptions on the services provided. In addition, quality service and customer satisfaction have an important role in shaping the buying interest. A person who is satisfied with buying good quality services will have action of expressing his satisfaction, including the interest to repeat purchases. Customer loyalty is manifested through the establishment of relations with the company which further maintains it through the delivery of quality service.

Quality of service can also be interpreted as a caring company towards the customers. Service is an activity or activities that are both tangible and intangible being done to serve consumers by providing goods or services with or without an accompanying transfer of ownership of a particular good or service (Sawitri and Halim, 2003). Whether a service is qualified, the answer depends on a subjective assessment of the consumer perception. A consumer perception of service quality is itself a thorough assessment of the merits of a service consumer.

In a simple term, the quality of service can be expressed as the ratio between the expected services by consumers with service received (Parasuraman et al, 1985 and 1988). It must be started from the needs and ends on consumer perceptions. Thus, the quality of service depends on the ability of service providers in meeting user expectations consistently. Zeithaml et al, (1996a) states, the quality of service is a concept that consists of five dimensions which include: tangible, reliability, responsiveness, assurance, and empathy. Quality of service is measured through customer perception of the five dimensions of service quality.

Significant intangible and tangibles are provided for customers such as banks of physical facilities, office equipment, employee appearance and completeness of form. Reliability is the ability to deliver the promised service accurately and satisfactorily. Responsiveness means the willingness of employees in helping the customer service and willingness to serve customers well, and the ability of employees in completing the transaction. Assurance includes the knowledge and skills possessed by employees to their tasks. Therefore, it can induce a feeling of freedom from danger, risk or doubt by the customer. Empathy includes friendly attitude and behavior is always shown respect for employees in customer service, employee attitudes are always heard and appreciated customer complaints.

Product innovation is defined as a new product or service being introduced to the market in order to meet the needs of the market (Damanpour, 1991). Further Johne (1999) stated that the results of the product innovation process are the introduction of new product or service that can be used as a tool to make a profit for the company. Pale in Krubasik (1988) suggests that companies produce a creative product innovation and product development. Franbach and Schillewaert (1999) argue that the perception is a component of cognition that exists in attitudes towards innovation adopter.

When discussing the product innovation, it must be any new product or service offered by companies that felt by a person as a new product. The company services that produce intangible products or a service depends on the management based on trust. This is because, in general, the consumer will purchase services based on experience (Yasid, 1999). Furthermore, Peppers and Rogers (2004) argued that trust is the currency of all trades. For that reason, the trust of customers has always been one of the earliest goals in the effort to build long-term relationships with customers.

Now when dealing with post-purchase behavior, it is said that purchase behavior can lead to either satisfied or not satisfied attitude of consumers. Satisfactions are the output of marketing activities and serve as liaison in the purchase process. Consumer satisfaction is a function of buyer expectations on product or service with perceived performance. Beside, satisfaction is also an assumption associated with the phenomenon of purchase such as: changes in behavior, repeat purchase, and loyalty towards a particular brand.

In general, the core concept is reflected in a marketing concept stating that the profits are always generated through the fulfillment of customer needs and wants. Spreng et al., (1996) state that customers will be satisfied if they are provided with good quality product. They compare their perceptions about the performance of products or services with their expectations. Kotler and Keller (2006) state that satisfaction is described as a feeling of being happy or disappointed caused by the perceived performance of a product than expected. Satisfaction can also be defined as an evaluation of alternatives selected meet or surpass expectations (Engel et al, 1993).

Another factor is trust. It is referred to the belief that a person will find what they want in exchange partners. Trust involves a person's willingness to behave in particular because of the belief that partners will provide what he hopes and expectations are generally owned by a person that says, promises or statements of others can be trusted (Barnes, 2003).

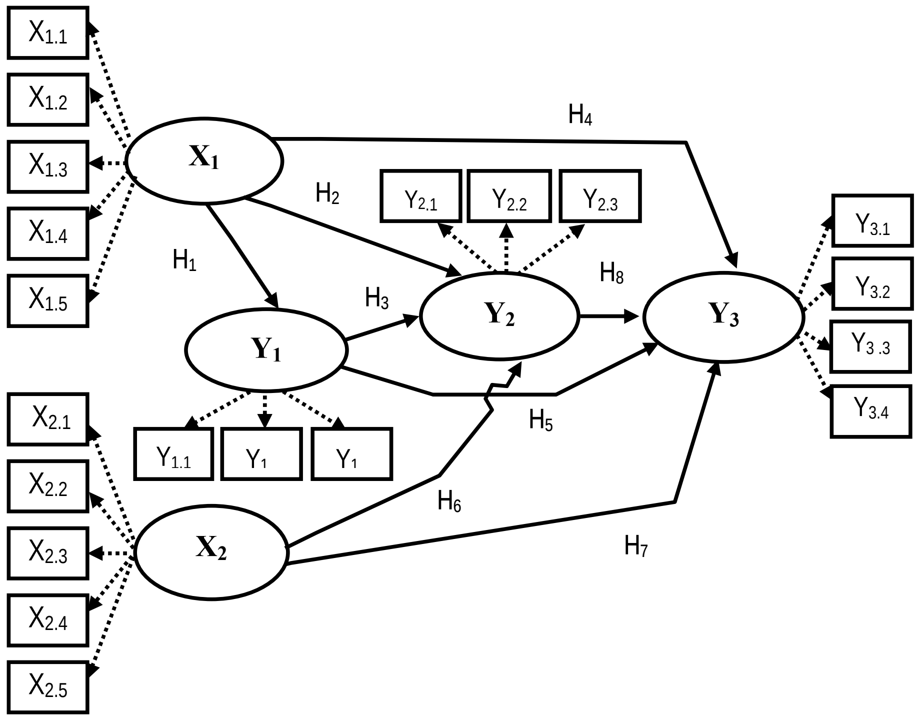
Walter et al., (2000) state that trust has three essential components namely: the belief that is the partner relationship that will show goodwill in its actions and affect the connections made directly and indirectly; trust also includes honesty, which means that a party trusting relationship with a trusted partner; and dimensions that include beliefs in the ability to act on the basis of the benefits of the relationship.

In another description, trust is considered important in relational exchange in accordance with the postulate. Spekman in Morgan and Hunt (1994) states it is commitment tends to be vulnerable to change when without it is aspects of trust. Oliver in Pedersen and Nysveen (2004) defines loyalty as deep commitment to make repeat purchases or choose to return an item or service consistently in the future. The definition can be understood that loyalty is a behavioral response in the form of a bank's selection of a set of existing bank and expressed in a long time. Customer loyalty in this study is defined as customer behavioral intentions expressed in a long time to still choose the banks' product of service consistently.

The definition of loyalty includes cognitive and affective dimensions with the reason of the opinion. Dharmesta (1992) argues that the measurement of cognition and affection can be used to form intent, which can then accurately predict customer choices or decisions. Overall conceptual framework of the research described in Figure 1.

When it is referred to the problem, objectives, and theoretical framework, it can be found there are eight hypotheses for microcredit debtors (borrowers) and small banks in Jember district as follows.

Figure 1
Conceptual and Theoretical Framework



: Variable indicator
: Latent variable
: Influence
: Dimension/indicator
H1-H8 : Hypothesis

H1: Service quality has positive and significant effect on satisfaction of the debtor;
H2: Service quality has positive and significant effect on confidence of the debtor;
H3: Customer Satisfaction has significant and positive effect on confidence in the debtor;
H4: The quality of service has a significant and positive effect on the loyalty of the debtor;
H5: Satisfaction has significant and positive effect on customer loyalty of the debtor;
H6: Product innovation has positive and significant effect on confidence of the debtor;
H7: Product innovation has positive and significant effect on loyalty of the debtor;
H8: Customer (debtors)' trust has significant and positive effect on loyalty of debtor.

RESEARCH METHODS

The population is all small and micro credit borrowers at BRI, BNI, Bank Mandiri and Bank of East Java (Bank Jatim) in Jember. The reason of this selection is that because these four banks have a number of small and micro credit debtors which are greater than the other banks in Jember. Another reason is that micro credit and the criteria according to Bank Indonesia (BI or central bank) is that the micro-credit maximum is totaled Rp 50.000.000, - and for a small loan size of Rp 50.000.000, - to Rp 500 million.

According to Have (2003), the sample size is too large when it is over 500. This can also be a problem because the error-prone type II, which we will accept the findings of the research, when in fact, we should reject it. So, when the sample size is either too big or too small will not help the research project. Furthermore, in Roscoe Have (2003) proposed a sample size of more than 30 and less than 500.

It is appropriate for most research. In connection with use of analysis of structural equation modeling (SEM) using Amos program, Ferdinand (2002), states that if the sample size is too large, then the model becomes very sensitive, making it difficult to get the goodness of fit. The size that must be met is the minimum amount to 100. It is recommended that the sample size depends on the number of indicators used in all latent variables. The number of samples is equal to that of indicators multiplied by 5 to 10.

Based on Roscoe and Ferdinand, the sample in this study is set at 120 respondents obtained from the total number of indicators of latent variables multiplied by 6 (20 × 6).

A purposive sampling is adopted with disproportionate allocation to each bank, so that the allocation of the number of samples obtained for each bank is 30 respondents. This method is used for several reasons, namely: 1) the elements of the population are homogeneous, 2) sample selection process can be expedited, so as to save costs, 3) the error is smaller with interviews, and 4) the sampling frame is not available as well.

The variables analyzed are exogenous variables, namely the quality of service and product innovation, two intervening endogenous variables, namely: satisfaction and trust. The others are endogenous variables that are bound to loyalty. Quality of service (*X1*) is the perception of the debtor as a result of an assessment of the quality of services offered by banks. Measurement of quality of service is divided into five dimensions referred to the measurement of quality of services by Zeithaml et al, (1996a) that are the physical evidence, reliability, responsiveness, assurance, and empathy.

Other considerations are dealt with the scale of measurement that chosen because this study measures the perceptions or judgments against the debtors who receive quality of service. It is more appropriate if selected SERVPERF scale that measures the quality of service based on service quality performance. This is compared to SERVQUAL that measures the quality of service based on the gap between expectations and performance.

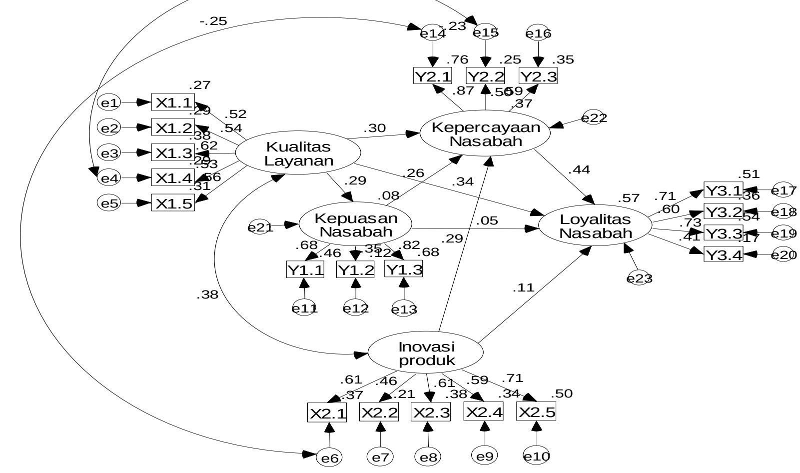
Next is dealt with product innovation and small micro credit (*X2*) which is the perception of the debtor as a result of an assessment of new product or service related to the banks and micro credit scheme. The product innovation measurement is by means of five dimensions of the six dimensions of product innovation developed by Tornatzky and Client; Moore and Benbasat; Karahanna; Plouffe et al; Van Slyke et al., in the Carter and Belanger (2004). These are relative advantage, appropriateness, ease of use, impression, and the apparent benefits.

Product innovation indicators are not used in service companies. One of the characteristics of services is inseparability (can not be separated), which services are sold first, and then produced and consumed simultaneously. Thus, services cannot be tried out. The debtors (*Y1*) is their feeling of assessment of the perceived performance of small business credit banks they select whether they meets or exceeds their expectations. This variable is measured through three indicators, referring to the indicators developed by Hennig-Thurau et al. (2002), namely: satisfaction at the micro and small credit services of the banks (*Y1.1*), satisfaction on the quality of bank services (*Y1.2*), satisfaction in the benefits of small and micro credit services Bank (*Y1.3*).

Small-micro credit debtors' trust (*Y2*) is a debtor to be able to maintain the confidence of long-term relationship with the Bank. This variable was measured by means of three indicators which are the modification of the measurement of trust proposed by Walter et al, (2000), namely: debtor trust, honesty and, trustworthy of bank employees (*Y2.1*), confidence by the debtor to the quality of bank management (*Y2.1*), and trust of the debtor to the bank's reputation (*Y2.3*).

Small-micro debtor loyalty (*Y3*) is a debtor behavioral intention which is expressed in a long time to still choose the bank product or service consistently. This variable is measured using four indicators as

Figure 2
The Results of SEM Analysis with Amos 5
STRUCTURAL EQUATION MODELING



Goodness of Fit : .919
Chi Square : 96.325
DF : 159
Chi Square/DF : .606
Probability : 1.000
RMSEA : .000
AGFI : .893
CFI : 1.000
TLI : 1.229

referred to the indicators developed by Liu et al (2003) and Slater (1997) which consists of the intention to repeat purchases, the intention to say positive things about the company to others, and intention to recommend the company to others, as well as the intention to give personal information to their companies.

Measurement indicator of the fifth latent variables is done by using Likert scale assessment scores with five answer choices of 1-5. This scale is a scale interval (Indriantoro and Supomo, 2002; have now, 2003). Testing these hypotheses is done by using structural equation model with AMOS program package version 5.0.

DATA ANALYSIS AND DISCUSSION

Validity and reliability test of the instrument with confirmatory factor analysis provides results that all the indicators of all latent variables are valid and reliable. These are indicated by the value of *t* (CR) for the loading factor (λ) for each variable indicator of all latent variables. These are valued and it is greater than the critical value that is (> 1.96) at the 0.05 level, as well as the probability value of less than ά (0.05) and contract reliability of all latent variables that is also greater than the recommended value (≥ 0.70).

The results of normality testing (CR) CR value of -1685 is located between -1.96 ≤ CR ≤ 1.96 (ά = 0.05), which means that they are the normal multivariate data. In addition to normal univariate data, it is also indicated by the ratio of all critical values of all indicators located between -1.96 ≤ CR ≤ 1.96. Multicollinearity test gives the value of determinant of sample covariance matrix of 3.0801 (there is no multicollinearity and singularity problems in the data analyzed). Outlier test results show none of the cases that have a value that is greater than the distance Malahnobis 31.410 (no multivariate outliers in data research).

Theoretical influence of test results between the study variables with SEM analysis model with AMOS 5 software can be seen in Figure 2 and Table 1.

Furthermore, the SEM results of the test model are presented in Table 1. This shows that there is a match between the model with data (from the eight criteria, there are seven criteria are met, and one marginal criterion).

Journal of Economics, Business and Accountancy Ventura Volume 14, No. 3, December 2011, pages 225 – 238
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Hypothesis 1: Quality of service satisfaction has positive and significant effect on small and micro credit borrowers

It can be seen in Table 2, that the quality of service significantly influences the satisfaction of the debtor (indicated by the value of CR> 1.96 with a probability <0.05) with the direction of a positive relationship (indicated by a positive path coefficients) which means that if the debtor's perception of the quality of service increases, it will also increase the satisfaction of the debtor, and vice versa. These results accept the hypothesis 1. A logical and rational argument which is against the receipt of the first hypothesis is related to the characteristics of the debtor, and debtor's perception of the dimensions of quality of services received.

The results indicated that the specific characteristics of small and micro-credit borrowers in Jember is a debtor to the middle economic status (evidenced by all the respondents had an average level of monthly income above Rp. 2.500.000, - and most of the respondents education is S-1 (Graduate program) or more). The debtors with these characteristics are the group of debtors who tend to have expectations or hopes are high as to good quality services, which in turn will affect the perceived satisfaction with the service. The debtors are interested much in the physical evidence, reliability, responsiveness, assurance, empathy bank that can help the debtor in performing banking transactions, in which all aspects are covered in the variable quality of service in this study.

Thus, the results are also consistent with: O'Connor et al. (2000) which states that the evaluation of the quality of service is always associated with satisfaction. Positive evaluation of service quality will lead to satisfaction, whereas negative evaluations of service quality will lead to dissatisfaction; Fornell et al (1996) argue that perceived quality has a direct positive effect on overall customer satisfaction. In this case, Chen et al (2004) and Slyke et al (2004), and Dimyati (2008) concluded that the quality of service significantly influences customer satisfaction; Bloemar et al, (1998) found that the quality of services either directly or indirectly have an influence on loyalty. Indirect relationship is shown between service qualities by loyalty through the intermediary of satisfaction.

Hypothesis 2: Quality of service has a significant and positive effect on confidence in small and micro credit borrowers

Based on Table 2, it is known that the quality of service significantly influences the trust of debtor (indicated by the value of CR> 1.96 with a probability <0.05) with the direction of a positive relationship (indicated by a positive path coefficients). This implies that if the debtor's perception of the quality of service increases, it will increase customer confidence, and vice versa if the debtor's perception of the quality of services decreases it will lower the trust of debtor.

The evidence above provides judgment to accept the hypothesis 2. These results indicate that the banks have been able to de-

Table 1
Index of SEM

Criteria	Value of Cut-Off	Results	Description
Chi Square	Expectedly small (< χ^2 with df = 159 is 189.4242). Prob. > 0.05	96.325 Prob.= 1.000	Good
Sig. Probability	≥ 0.05	1.000	Good
RMSEA	≤ 0.08	0.000	Good
GFI	≥ 0.90	0.919	Good
AGFI	≥ 0.90	0.893	Marginal
CMIN/DF	≤ 2 atau 3	0.606	Good
TLI	≥ 0.95	1.000	Good
CFI	≥ 0.95	1.229	Good

Source: results of SEM analysis using AMOS liver good quality services to the debtors, as reflected by the presence of physical evidence, reliability, responsiveness, assurance, and empathy provided the banks. Thus, they are able to meet expectations of the debtors. The ability of the banks to provide good quality services can increase the trust of the debtors on the bank's employees honesty and trustworthy.

So, the borrowers trust the quality of bank management, and the trust of the debtor on the reputation of the bank, which in turn, will increase their credibility to maintain the debtors to have a long-term relationship with the the banks . The results are in line with Zeithmal and Bitner (1996) and Dimyati (2008), which proves that consumer perceptions of service quality can be affected directly or indirectly to the beliefs, perceptions of physical evidence, employees, and the process will affect customer confidence.

Hypothesis 3: The debtors' satisfaction has a significant and positive effect on the small-micro credit borrowers' trust.

As in Table 2, it can be identified that the debtors' satisfaction has significant effect on the debtors' trust (indicated by the value of CR> 1.96 with a probability <0.05) with the direction of a positive relationship (indicated by a positive path coefficients). This means that if the debtor's satisfaction increases, it will increase the trust of the debtors, and vice versa. These results confirm the hypothesis 3.

Such findings indicate that the level of satisfaction and small micro-credit borrowers in Jember can specify the trust or confidence level of small-micro credit borrowers. This is because the satisfaction of the debtor on the banks would lead them to the level of trust, or the debtors who obtain satisfaction from the use of products or services of the bank will be sure to maintain a relationship with the banks.

Many customers who were satisfied with company's brand, still switch to another companies or brands. The findings support the previous research results by Dimyati (2008) and Walter et al, (2000), who found that customer satisfaction significantly influences customers' trust. Tax et al, (1998) also found that satisfaction has a direct influence on trust.

Hypothesis 4: Quality of service a significant positive effect on loyalty and small micro-credit borrowers

Table 2 shows that the quality of service significantly influences the debtors' loyalty (indicated by the value of CR> 1.96 and a probability <0.05) with the direction of a positive relationship (indicated by a positive path coefficients). This means that if the debtor's perception of service quality increases, it will increase the debtors' loyalty, and vice versa. This result underpins the hypothesis 4. It means that the debtor has a high perception of quality of service they have received from the bank. This may establish their loyalty to the banks. This finding is the same as that by Dimyati (2008) and Fatmah (2005) and O'Connor et al (2000), which argues that the evaluation of the quality associated with satisfaction, even the desire to use the service again in the future. LoSardo and Rossi as in O'Connor et al, (2000) state the consumer evaluation of service quality lies in the balance of expectations and their perceptions about the services provided.

Beside, perceptions meet or exceed expectations on one or a series of meetings on the evaluation of services and this will result in service quality (SERVQUAL) which is to be quite ideal. Conversely, if expectations are not met with the perception, it will produce a negative evaluation of SERVQUAL. A person who is satisfied for buying services with good quality service will make some kind of action in expressing his satisfaction; including the interest to buy back (Hawkins et al, 1995).

The finding above support the results of research Song and Zinkhan (2003) who found that the quality of service has a significant effect on customer loyalty, and the results of several studies on service marketing has proved the essential role of quality

service and customer satisfaction in the form of buying interest (Peltier et al, 2002).
Hypothesis 5: The debtors' satisfaction debtor has significant and positive effect on small micro-credit borrowers' loyalty.

Such argument can be presented in Table 2, in which it shows that the debtor's satisfaction did not significantly affect the debtors' loyalty (indicated by the CR values lie between -1.96 and 1.96 or -1.96 <CR 1.96, and a probability> 0.05) with the direction of positive relationships (shown by a positive path coefficients). Thus specifically, this result does not support hypothesis 5.

The phenomenon above occurs because small and micro credit borrowers in Jember including those in the category of borrowers are merely satisfied (the actual performance of products or services) They think that the debtor felt relatively similar to others of small business loans of their choice. They are considered to have not reached a very high satisfaction (actual performance of products or services are perceived debtors greater than the expected performance of the debtor) which produces emotional satisfaction. This motivation, in turn, leads to the creation of loyalty to the debtor.

In addition, the results showed that the majority of respondents (63%) were middle-class economic community (average earnings per month between Rp 2,500,000, - up to Rp 5,000,000, -). Middle-class economic community is very sensitive to price (interest) in selecting a product (credit) to meet their needs. They will be easy to move from one bank to another bank that offers interest rate loans cheaper. These results are in accordance with Beckett et al. (2000) who argue that the bank's customers easily changed their buying behavior and more often left the bank that gave less attention to the customers and these customer then move to another banks.

Since most customers facing the banking institutions are currently the debtors in particular of small and micro credit banks, in fact they are smart customers. This is indicated by the majority of respondents who are 37% educated S-1 (graduates) or more. They have been able to properly assess and evaluate the products or services they choose for meeting their needs. In this case, the results support the research by Dimyati (2008) stating that there is no significant and positive influence for customer satisfaction towards customer loyalty.

The evidence above is also supported by Bitner (1990) who suggests that satisfaction has no significant effect on loyalty. Like Bitner, Jones and Sasser (1995) also discovered the customers are satisfied, but they still use other services from other service providers when the services are needed again in the future; Yorgey and Lisa (2002) found that there are strong facts indicating the existence of a high defection rate in satisfied customers and many customers are not content to remain loyal to merely a certain product or service. Customer loyalty in the process is affected by the satisfaction, but the level of customer satisfaction that is able to form a real loyalty is to a certain degree of satisfaction that can not be provided by other service providers, and this is called a pleasant satisfaction (Oliver, 1997).

As argued, the level of loyalty actually begins with an assessment by the customers being satisfied with what they get from the company (Jones and Sasser, 1995). The main causes of customer service to be loyal (true) are the condition when they are really satisfied with the services they receive. It can be assumed that this condition occur in small and micro credit debtors in Jember. The satisfaction is mediocre, so this factor has no significant effect on shaping customer loyalty.
Hypothesis 6: Product innovation has positive and significant effect on the trust of the small and micro credit borrowers.

The test results in Table 2 also show that the significant effect for product innovation towards the trust of the debtors (indicated by the value of CR> 1.96 with a probability <0.05). This indicates it has a positive relationship (indicated by a positive path coefficient). These results support hypothesis 6.

This finding means that the debtors have the ability to assess the bank that offers them products or services in accordance with their need and desire development through product innovation. The ability of banks to offer new products and services that suit their needs and desires of the debtor is interpreted by the debtors as the capability of the bank.

Such a capability can lead to the trust by the debtors on the banks' ability to deliver products or services in accordance with the needs and desires. This will foster high confidence in the debtors so that they still maintain a relationship with the Bank. This finding support the finding by Dimyati (2008), Fatmah (2005) and Slyke et al (2004) who found that the quality of service and product innovation have a significant effect on customer trust.

Hypothesis 7: Product innovation has positive and significant effect on loyalty of the small micro-credit borrowers.

Table 2 also provides evidence that product innovation has no significant effect on the loyalty of the debtors (indicated by the CR values lie between -1.96 and 1.96 or -1.96 <CR 1.96, with a probability> 0.05). It is in the direction of a positive relationship (indicated by positive path coefficients). Thus, this does not support hypothesis 7. This means that product innovation by the bank has not been able to create the debtors' loyalty. This condition occurs because the innovation of products or services has not yet been done so that it has no high value. In return, it has not been able to provide a new surprise for the debtors.

It is advocated that the new product innovations do not directly affect the loyalty of the debtors based on the above evidence. The findings of this study support the research Dimyati (2008). However, this is on the contrary with some previous research results, such as by Carter and Belanger (2004) who argued that that there are positive and significant influence of relative advantage, image, and compatibility as product innovation towards the customers being loyal (loyalty intention). For example, Slyke et al (2004) state there is a positive and significant relationship between relative advantage, compatibility as the dimension of the received product innovation and the intention. There is a significant and positive relationship between trust and intention to use.

Hypothesis 8: Trust has a significant and positive effect on customer loyalty (the small micro-credit borrowers' loyalty).

This evidence is also shown in Table 2. The debtors' trust significantly influences loyalty (indicated by the value of CR> 1.96 with a probability <0.05) with direct and positive relationship (indicated by a positive path coefficients), which means that if the debtors' trust increases; this will increase their loyalty and vice versa. This result is commensurate with hypothesis 8. This finding means that small and micro credit borrowers in Jember have trusted the banks employees' in carrying out their duties for fulfilling their needs. Banks that have employees who are honest and trustworthy by its customers will be better able to develop a long-lasting relationship with its customers.

Table 2
Results of Causal Testing

Variables	Path Coefficients	C.R	Probabilities	Description
$X_1 \rightarrow Y_1$	0.287	1.985	0.047	Positive and significant
$X_1 \rightarrow Y_2$	0.302	2.004	0.045	Positive and significant
$Y_1 \rightarrow Y_2$	0.258	2.021	0.043	Positive and significant
$X_1 \rightarrow Y_3$	0.343	2.132	0.033	Positive and significant
$Y_1 \rightarrow Y_3$	0.048	0.387	0.699	Not significant
$X_2 \rightarrow Y_2$	0.291	2.117	0.034	Positive but not significant
$X_2 \rightarrow Y_3$	0.113	0.812	0.417	Not significant
$Y_2 \rightarrow Y_3$	0.436	2.521	0.012	Positive but not significant

Source: Result of SEM analysis with AMOS 5.

In this situation, the debtors believe that the bank is managed professionally.

It is true that professionalism implies that the whole range of bank managers at all levels is professional in their field duties. By this condition, the responsibilities of the bank are related to the presence of their knowledge and technical ability in their fields. All these meet the customers' desire. It also shows that the bank is being ethical, knowledgeable, and responsible. Consequently, the customer believes that the bank can be considered a good bank that has a good reputation. This finding is consistent with the theory by Morgan and Hunt (1994) who explain that the theory of trust is a key intermediary in the exchange of relationship to build success for customers' loyalty.

In such instance, it can be described in more detailed that marketing effectiveness depends on the management services which are based on the belief that in general the consumers will purchase services based on their previous experience. Without trust a relationship will not survive in the long term. Therefore, creating the customers' can be said to be one of the ways to build the company's customers' trust.

The conceptualization of trust is the condition when customers believe in the reliability and integrity of service providers. This can be argued that the finding in this study is also consistent with the results of research by Dimyati (2008), Walczuch, et al (2001) who state that one factor that can increase the probability of the consumer buying behavior is the belief (trust); Liu et al (2003) in his research clearly shows interest of loyal consumers who behave strongly due to their belief in the goods or services.

CONCLUSION, IMPLICATION, SUGGESTIONS, AND LIMITATIONS

It can be inferred that small and micro credit borrowers of the banks in Jember as studied here provide some generalizations. First, quality of service has a significant and positive effect on the satisfaction of the debtors. Besides that, it also has a significant and positive effect on the debtors' trust on the banks. In return, this shows satisfaction that subsequently has a significant and positive effect on the debtors' trust too. Again, the evidence brings about the fact that quality of service has positive and significant effect on the debtors' loyalty. Yet, it does not mean that this satisfaction always results in the debtors' loyalty.

Second, product innovation has positive and significant effect on the debtors' trust. The debtors' trust has a significant and positive effect on their being loyal to the banks.

As generalized proving hypothesis 8, it can be drawn that the loyalty of the debtor is directly influenced by the quality of service and trust, and indirectly influenced by the quality of service and satisfaction of the debtor, as well as product innovation.

Third, the debtor's satisfaction and product innovation has no significantly direct effect on the debtors' loyalty. Theoretically, it can be implied that the findings are formulated and confirmative, as well as explanative, for the research on small and micro-credit borrowers of the banks in Jember district. The results provide evidence that the quality of service significantly influences the debtor's satisfaction with the positive direction, which means that the quality of services provided by the bank has been able to meet the expectations of the debtor.

This also proves that the quality of service significantly influences the debtors' trust with the positive direction, meaning that the quality of services provided by the bank has been able to meet the expectations of the debtor. Thus, they consider the banks as a partner that has the capability in providing quality of the services. This capability will generate trust of the debtors, so that they trust and maintain a good relationship with the bank.

When the debtors are satisfied they positively perceive the small and micro credit banks have performed their responsibility. Then, then also with their satisfaction foster a good relationship with banks. Quality of service also affects their trust and loyalty so that they also believe the banks being professional in providing their needs. This means that the debtor has been enjoying a good quality service from the bank.

The banks should pay attention to innovation on their products and services even though product innovation does not provide significant effect towards their debtors' loyalty. However, it is due to the absence of new values of their innovation toward their customers. Again, this condition occurs due to small and micro-credit product innovation has not generated a surprising value for the debtors. Customer confidence in the loyalty has significant effect on the debtors with a positive direction, believing that bank employees are honest and trustworthy in carrying out their duties, professionally able to manage the reputation.

In reference to the above conclusions, it has implications as the following. The debtors are considered fundamental in applying the practice of product and service quality, and product innovation with better values. These factors are able to create the small and micro-credit borrowers' loyalty in Jember. They are satisfied with the products and services and this lead them to being confident in the banks, thus lead them also to have a good relationship with the banks.

Above all, it must be admitted by the researcher that this study entails limitations. It uses a purposive sampling method in sampling so that the selected sample numbers may not be absolutely proportional to each sample of the bank. This happens because there is no data related to the study population with bank secrecy. In addition, the allocation of the number of samples does not take into account gender, age, marital status, education level, the business sector, the level of average income, and respondents' experience. These factors can be better for consideration in the future research.

It is advisable that the banks should improve their service quality to create satisfaction. The trust and loyalty of the debtors can be maintained as based on the factors supporting such important things. Increasing satisfaction of the debtor can be reached by expanding the perceived benefits of the debtor through the products or services offered to the debtors. The banks should improve products or services offered, and the quality of service, product innovation with better value. The increased trust can be conducted by increasing the honest and trustworthy employees in performing their duties, the bank's reputation, and the professionalism of the management.

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