The Impact of Service Quality and Brand Image on Customer Satisfaction and Its Consequences on Customer Loyalty, Banco Nacional Comercio Timor-Leste, Suai Branch

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ABSTRACT

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Purpose of the study — This research aims to investigate the impact of service quality and brand image on customer satisfaction and its subsequent effects on customer loyalty at Banco Nacional Comercio Timor-Leste, Suai Branch.

Research method—A quantitative descriptive approach was employed, utilizing surveys distributed to customers who have been clients for at least three years. The data was analyzed using Partial Least Squares (PLS) structural equation modeling.

Result— The findings indicate a weak influence of service quality and brand image on customer satisfaction (R-Square = 0.185), while customer satisfaction, along with these variables, significantly contributes to customer loyalty (R-Square = 0.487).

Conclusion— The study concludes that enhancing service quality and brand image is crucial for improving customer satisfaction, which in turn fosters customer loyalty. Practical implications include recommendations for the bank to refine service strategies to meet customer expectations effectively.

Keywords: Service Quality, Brand Image, Customer Satisfaction, and Customer Loyalty.

INTRODUCTION

As a financial institution, banks play a crucial role in fostering economic growth within a country, such as Timor-Leste. As a vital financial entity, it is expected that banking performance consistently improves over time. One key factor contributing to the success of banking businesses is the provision of excellent services that satisfy customers. According to Kasmir (2017:47), Service Excellence is an action or behavior undertaken by an individual or organization to provide satisfaction to customers, fellow employees, and stakeholders. The term "service" stems from the word "layan," meaning to assist in preparing or managing whatever is required for another's service act, making service an activity or benefit derived

from providing assistance as a service. This involves offering aid with a friendly, courteous, polite, and patient demeanor to meet the needs of customers.

Superior services can also serve as a competitive advantage. Banks currently facing intense competition must develop appropriate service strategies to attract new customers and maintain loyalty from existing ones. Customer loyalty is formed through satisfaction with the quality of banking services provided. In the competitive banking business, bank management must consider customer satisfaction and dissatisfaction. Parties directly involved in customer satisfaction or dissatisfaction include marketers, customers, and customer researchers. This implies that management should focus their attention on customer satisfaction, which is the key to winning the competition by providing value and satisfaction to customers through high-quality products and services.

Manengal (2021) states that service quality is a dynamic state closely related to products, services, human resources, processes, and environments that at least meet or even exceed the expected service quality. According to Romadhoni (2015), brand image is a series of associations (perceptions) that exist in customers' minds about a particular brand, usually organized into a meaning. The relationship with a brand will become stronger if based on experience and obtaining ample information.

According to Kotler and Keller (2017), customer satisfaction is an individual's feeling of happiness or disappointment that arises after comparing the performance (outcome) of the considered product with the performance (or outcome) expected. If the performance falls below expectations, the customer is not satisfied. If the performance meets expectations, the customer is satisfied. If the performance falls below expectations, the customer is not satisfied. If the performance exceeds expectations, the customer is extremely satisfied or pleased.

According to Fandy Tjiptono (2016), customer loyalty (brand loyalty) is a commitment by customers to a particular brand reflected in a highly positive attitude and the existence of consistent repurchasing behavior by the customer. Customer loyalty plays a crucial role in a company, as it means enhancing financial performance and sustaining the company's existence. This becomes the primary reason for a company to attract and retain customers.

The Banco Nasional Comersio de Timor-Leste (BNCTL), Suai Branch is one of the branches established to promote the local economy in line with the bank's mission and vision. The services provided by this bank have not yet met the expectations of its customers. Customers are indeed less satisfied due to the received services not aligning with their expectations. However, what customers can do is merely endure, accept the situation since Banco Nasional Comersio de Timor-Leste (BNCTL) Suai Branch is the sole financial institution operating in the area (as of 2023; source: interview with customers).

The service process is a major issue for customers using products at Banco Nasional Comersio Timor-Leste (BNCTL) Suai Branch. Among the services provided are processing tasks such as paying civil servant salaries, Polisi Nacional Timor Leste, Falintil - Timor Leste's Defense Force, veteran pay, pension subsidies, motorcycle and car payments, traffic violation payments, and government subsidies, as well as credit collection and disbursement, domestic and

international money transfers. These tasks, with an overwhelming workload, are handled by only two cashier staff members (one may be absent while another comes to work) (as of 2023; source: interview with customers).

The intense banking competition necessitates Banco Nacional Comercio Nacional Timor Leste (BNCTL), Suai Branch, to reconsider its marketing strategies to attract customers' interest in becoming its clients. Banco Nacional Comercio Nacional Timor Leste competes not only with foreign and private banks but also with increasingly expansive Microfinance Institutions in developing their business networks, even penetrating remote areas. This research was conducted at Banco Nacional Comercio Timor Leste Sucursal Suai as it became the subject of study because the researchers observed that the mentioned issues needed serious attention, as the number of customers continues to increase over time, preventing them from switching to other banks.

Table 1. Development of Bank Customer Count Banco Nacional Comercio Timor Leste Suai Branch Period 2021 - 2023

Year	Month	Number of Customers
2021	January – December	22,770 individuals
2021-2022	January – December	27,152 individuals
2022 – 2023	January – December	25,823 individuals

Source: BNCTL, Suai Branch, 2023

According to Table 1.1, it can be inferred that the number of customers increased in 2021 by 22,770 customers and in 2022 by 27,152 customers, but in 2023, the customers using bank products decreased to 25,823 customers. This is due to some customers switching to other banks because they were not satisfied with the services provided and the brand image offered. Considering the importance of service quality and brand image in supporting customer satisfaction and, on the other hand, customer satisfaction being a crucial condition for customer loyalty, this research aims to investigate these aspects through a study to identify the causes of the issues raised, while also recommending to the bank the results of this research..

Based on the aforementioned, it can be inferred that the bank staff provided for serving customers is insufficient, which will lead to slow and time-consuming service processes and provide an opportunity for customers to switch to other banks.

Based on the background information provided above, the researcher can formulate several problems related to the study subject as follows:
1. Does the quality of service significantly and positively affect customer satisfaction at Banco Nacional de Comercio de Timor Leste, Suai Branch?
2. Does the brand image significantly and positively affect customer satisfaction at Banco Nacional de Comercio de Timor Leste, Suai Branch?
3. Does the quality of service significantly and positively affect customer loyalty at Banco Nacional de Comercio de Timor Leste, Suai Branch?

4. Does the brand image significantly and positively affect customer loyalty at Banco Nacional de Comercio de Timor Leste, Suai Branch?

5. Does customer satisfaction significantly and positively affect customer loyalty at Banco Nacional de Comercio de Timor Leste, Suai Branch?

6. Does the quality of service significantly and positively affect customer loyalty through customer satisfaction at Banco Nacional de Comercio de Timor Leste, Suai Branch?

7. Does the brand image significantly and positively affect customer loyalty through customer satisfaction at Banco Nacional de Comercio de Timor Leste, Suai Branch?

RESEARCH PURPOSES

The aims of this research are :

1. To examine and analyze the impact of Service Quality on Customer Satisfaction at Banco Nacional de Comercio de Timor Leste, Suai Branch.

2. To examine and analyze the impact of Brand Image on Customer Satisfaction at Banco Nacional de Comercio de Timor Leste, Suai Branch.

3. To examine and analyze the impact of Service Quality on Customer Loyalty at Banco Nacional de Comercio de Timor Leste, Suai Branch.

4. To examine and analyze the impact of Brand Image on customer loyalty at Banco Nacional de Comercio de Timor Leste, Suai Branch.

5. To examine and analyze the impact of Customer Satisfaction on Customer Loyalty at Banco Nacional de Comercio de Timor Leste, Suai Branch.

6. To examine and analyze the impact of Service Quality on customer loyalty through Customer Satisfaction at Banco Nacional de Comercio de Timor Leste, Suai Branch.

7. To examine and analyze the impact of Brand Image on Customer Loyalty through Customer Satisfaction at Banco Nacional de Comercio de Timor Leste, Suai Branch.

LITERATURE REVIEW AND HIPOTESYS DEVELOPMENT

A. LITERATURE REVIEW'

Quality Of Service

According to Kasmir (2017:47), service refers to an individual or organizational action aimed at providing satisfaction to customers, fellow employees, and management. In essence, the term "service" stems from the word "layan," which means assisting in preparing or managing whatever is needed for others in the act of serving. Therefore, service can be defined as a conduct or benefit derived from the provision of assistance through a task, characterized by amiability, cordiality, courtesy, and patience, to meet the needs of customers.

As per Manengal (2021), service quality is a dynamic state closely related to products, services, human resources, processes, and environments that, at the very least, can meet or even exceed the expected level of service quality. According to Dzikra (2020), service quality is a strategic system involving the entire organizational unit or

department, from management to employees, to meet the expected customer needs.. Further explaining, Armaniah, et al. (2019) state that service quality is a level of service that relates to fulfilling customers' expectations and needs. Utomo and Riswanto (2019) also define service quality as the degree of mismatch between the consumer's expectations and their perception. According to Tjiptono (2017:159), indicators for service quality are as follows:

1. Reliability, the ability to provide dependable and accurate services.
2. Responsiveness, the willingness to help customers and provide swift services.
3. Assurances, the employees' knowledge and professionalism in ensuring quality, making participants trust and feel secure.
4. Empathy, individual attention towards customers.
5. Tangibles, the appearance of physical facilities, equipment, infrastructure, and resources.

Brand Image

Brand image represents the overall perception of a brand and is formed from past information and experiences about the brand. Brand image is related to attitudes, which involve belief and preference towards a particular brand. Customers with a positive brand image are more likely to make purchases (Setiadi in Robby & Andjarwati, 2016). According to Kertajaya (2017), the factors influencing brand image are as follows:

1. Quality or standard, related to the quality of products offered by manufacturers under a specific brand.
2. Reliability or trustworthiness, concerning the public's opinion and consensus about a product being consumed.
3. Usage or utility, related to the function of a product that can be utilized by customers.
4. Service, relating to the producer's responsibility in serving their customers.
5. Risk, concerning the profit and loss experienced by customers.
6. Price, in this case, the amount spent by customers that can also influence the brand image due to the high or low cost or the small or large amount of long-term money.
7. Image, referring to the brand itself, which includes customers, opportunities, and information related to a specific brand and its products.

In Romadhoni (2015), Sutisna states that brand image has three supporting variables:

1. Corporate Image (Brand Creator/Company Image) is a collection of associations perceived by customers about the company producing a product or service.
2. User Image (Brand User) is a collection of associations perceived by customers about the users who utilize a particular product or service.
3. Product Image (Brand Product) is a collection of associations perceived by customers about a specific product.

Customer Satisfaction

Kotler and Keller (2016:33) explain customer satisfaction as follows: "Satisfaction reflects a person's judgment of a product's perceived performance in relation to expectations. If performance falls short of expectations, the customer is disappointed. If it matches expectations, the customer is satisfied. If it exceeds them, the customer is delighted." In essence, satisfaction reflects an individual's assessment of a product's performance in relation to their expectations. When performance significantly deviates from expectations, the customer is disappointed. If it aligns with expectations, the customer is satisfied. If it surpasses expectations, the customer is delighted.

According to Indrasari (2019:87-88), when determining customer satisfaction levels, there are five primary factors that companies should consider:

1. Product Quality: Customers feel satisfied when their assessment shows that the product they use is indeed of good quality.
2. Service Quality: Customers feel satisfied when they receive good service that meets or exceeds their expectations.
3. Emotional: Customers feel proud and confident that others will be impressed by them when using a specific product with a higher level of satisfaction.
4. Price: Products with the same quality but relatively lower prices offer greater value to customers.
5. Cost: Customers tend to be more satisfied with a product if they don't incur additional costs or have to waste time to obtain it.

According to Indrasari (2019:92), Indicators for measuring customer satisfaction include:

1. Alignment of Expectations: Customer satisfaction is not measured directly but inferred based on the alignment or mismatch between the customer's expectations and the company's actual performance.
2. Intent to Revisit: Customer satisfaction is gauged by asking whether the customer intends to purchase or use the company's services again.
3. Readiness to Recommend: Customer satisfaction is measured by inquiring whether the customer would recommend the product or service to others, such as family, friends, and so on.

Bahrudin, M., and Zuhro, S. (2016) state that customer satisfaction is an assessment resulting from a specific purchasing decision and the experience of using or consuming goods or services. Based on the definitions provided by the experts above, it can be concluded that customer satisfaction is a result of the comparison between expectations regarding the performance obtained while using a particular product or service..

Customer Loyalty

According to Hasan (2016:75), "Customer loyalty is a behavior related to a product, including the likelihood of renewing the brand contract in the future, how likely customers are to change their support for the brand, and how much customers want to

enhance the positive image of a product." If a product fails to satisfy customers, they will react with exit behavior (customers stating they will stop buying the brand or product) and voice behavior (customers expressing their dissatisfaction directly to the company). According to Yuliana & Hidayat (2018), they present some characteristics of loyal customers, including:

1. Consistently repeating purchases, where customers buy the same product offered by the company again.
2. Recommending the company's products to others, involving word-of-mouth communication about the product to other people.

Customers are less likely to switch to competitors, and they are not attracted to similar product offers from rivals. According to Hasan (2016), the main factors influencing customer loyalty are:

1. Customer Satisfaction: Consumer satisfaction is considered a strong predictor of customer loyalty, including positive recommendations, intent to repurchase, and other aspects.
2. Product Quality: Product quality has a strong relationship with customer loyalty. It increases sales and market dominance, leading customers towards loyalty.
3. Brand Image: The brand image becomes a decisive factor in customer loyalty, contributing to the expansion and enhancement of the company's positive image.
4. Perceived Value: Perceived value is defined as the balance between the benefits customers feel they receive and the costs they incur, acting as a determinant of customer loyalty.
5. Trust: Trust is defined as the perception of the company's reliability determined by systematic confirmation of expectations regarding the company's offers.
6. Customer Relationship: Customer relationship is perceived as the balance between the ratio of costs and benefits, the ratio of costs and profits, and the continuous, reciprocal relationship.
7. Switching Costs: In relation to customers, switching costs act as a restraining or controlling factor for the transfer of suppliers/distributors of products, which may result in customer loyalty.
8. Reliability: Not only does it involve the ability to create superior value for customers, but it also covers all organizational aspects affecting public appreciation of the company, directly impacting customer loyalty.

B. HYPOTESIS DEVELOPMENT

When service processes are provided satisfactorily and consistently, it will bring satisfaction to customers. Another aspect to consider is Brand Image, as this variable also plays a role in providing customer satisfaction. It is hoped that the resulting customer satisfaction will impact customer loyalty. The relationship between variables in this study is described as follows:.

The Relationship between Service Quality and Customer Satisfaction

It cannot be denied when using a service from a particular company, be it a service or the provided service, that we will evaluate and undoubtedly, if we are satisfied with the service provided, we will certainly decide to re-purchase from that place..

According to Hilda Aprilia Pratiwi (2018) in her research on Traveloka customers in Yogyakarta, she stated that the quality of service has a positive and significant impact on Traveloka customers' satisfaction in Yogyakarta. As mentioned by Kotler and Keller (2016:157), product and service quality, customer satisfaction, and company profitability are interconnected. A better quality of service will undoubtedly result in higher customer satisfaction. A high-quality service from a company is well-known, liked by many, and will attract people to prioritize making transactions or reusing the service from that company.

The Relationship between Brand Image and Customer Satisfaction

The relationship between brand image and customer satisfaction holds a positive influence. According to Kotler and Armstrong (2001:298), customers feel satisfied with their purchased product as it meets their expectations and desires. Customers will express satisfaction with a product if they have a positive perception of the brand associated with that product. In essence, satisfaction will occur when customers perceive that the product possesses three good brand image indicators: the maker's image, the product image, and the user image.

Brand image serves as an impression or attachment in the minds of customers. The better the perception in customers' minds regarding a particular brand, the higher their satisfaction will be. Conversely, if customers' perception of a brand's image is negative, their satisfaction will correspondingly decrease.

This is in line with research conducted by Damayanti and Wahyono (2015), Susanti and Wardana (2014), Permana (2016), Budi and Harsono (2017), Dwi Yana, et al. (2015), Susanti and Wardana (2015), Enggarwati, et al. (2017) Kurniawati, et al. (2014), and Andreani et.al,. (2012) which stated that Brand Image has a significant effect on Customer Satisfaction.

The Relationship between Customer Satisfaction and Customer Loyalty

According to Ali Hasan in the book "Marketing Islamic Banking," superior and consistent service quality can foster customer satisfaction and will bring about various benefits, such as promoting the emergence of customer loyalty. Previous research by Muhammad Azkal Faiz (2016), Kusuma Wijayanto (2015), Ketut Valien Wira Atmaja et al. (2017), Helisia Krisdayanti (2017), and Azka Al Afifah (2016) from several earlier studies mentioned that satisfaction positively and significantly affects customer loyalty.

Conceptual Framework

According to Sugiyono (2017:60), a framework of thinking is a conceptual model that demonstrates how theories are related to various identified factors considered as crucial issues. The framework in this research can be depicted in the following scheme.

Figure 1. *Conceptual Framework*
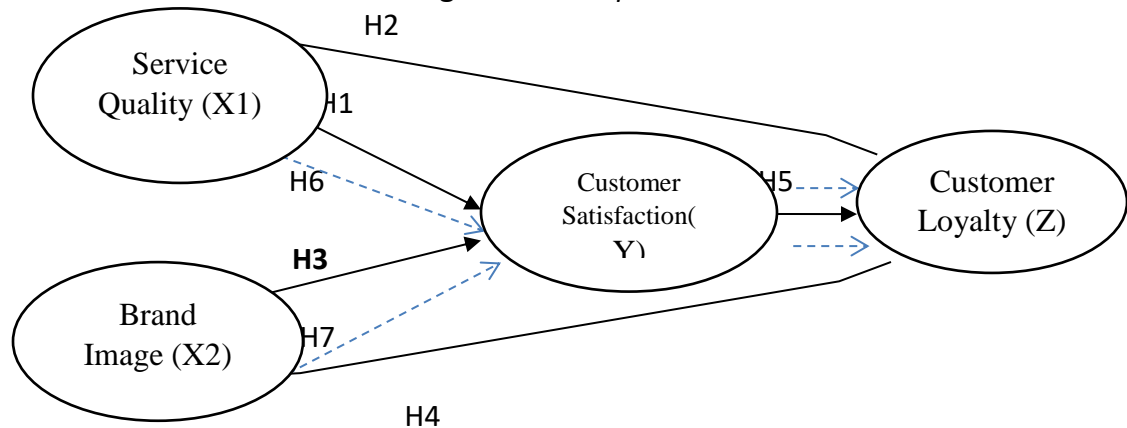
H1: The quality of service significantly and positively affects Customer Satisfaction.

H2. Brand Image significantly and positively affects Customer Satisfaction.

H3. Service Quality significantly and positively affects Customer Loyalty.

H4. Brand Image significantly and positively affects Customer Loyalty.

H5. Customer Satisfaction significantly and positively affects Customer Loyalty.

H6. Service Quality significantly and positively affects Customer Loyalty through Customer Satisfaction.

H7. Brand Image significantly and positively affects Customer Loyalty through Customer Satisfaction.

METHOD

Research Design

A research design is a methodological approach to obtaining data for specific purposes and uses. Considering this, four key aspects must be taken into account: methodological, data, purpose, and use. Methodological refers to research activities based on characteristics of methodology, which are rational, empirical, and systematic. Rational means that the research is conducted using reasonable methods, thus accessible to human reasoning. In this study, the method employed is quantitative descriptive research with a quantitative research approach..

According to Sugiyono (2015:59), the concise definition of descriptive approach is: "Research conducted to ascertain the existence of independent variable values, either one or more (independent), without making comparisons or connecting them to other variables." The temporal aspect of this study involves a specific time period with a large sample size, using customers of Banco Nacional Comercio Timor Leste (BNCTL) Sucurcal Suai as the analytical unit.

The Scope Of Research

This research is limited to the subject and research variables. The research subjects were bank customers residing in Covalima Municipality and already clients of Banco Nacional de

Comercio Timor-Leste, Suai Branch, for at least 3 years. In the study, the researchers also limited the variables to Quality of Service, Brand Image, Customer Satisfaction, and Customer Loyalty'.

Variable Identification

Research variables, in essence, encompass any form of elements designated by the researchers to be studied, resulting in obtaining information about them, and then drawing conclusions from it (Sugiyono, 2018).

Independent Variable (Free variable)

Other terms include antecedent variable, stimulus, or predictor. Independent variable (free) refers to one that becomes the cause of change or influences resulting in the dependent variable. Quality of Service (X1) and Brand Image (X2) become the independent variables.

Dependent Variable (Dependent variable)

Other terms include consequence variable, criterion, and output. The independent variable (bound) is a consequence or influenced by the free variable. In this research, the dependent variable is customer loyalty (Z).

Intervening Variables (Intermediary Variables)

Intervening variables are theoretically factors that influence the relationship between independent and dependent variables, making it indirect and unable to be observed or measured. These variables act as mediating factors between independent and dependent variables, so the independent variable does not directly affect or generate the dependent variable. In the given research, the intervening variable is customer satisfaction (Y).

Operational Definition

Kerlinger (in Indra & Cahyaningrum, 2019: 2) states that variables represent attributes that can be understood. For example, gender, education, social status, level of aspiration, and so on. Kerlinger also explains that variables are properties within distinct values. Therefore, variables can be considered as something that varies.

The above explanation can be formulated as a research variable, representing a specific attribute of objects, people, or activities determined by the researcher in learning and drawing conclusions. In this study, there are four free variables (independent variables): Quality of Service (X1), Brand Image (X2), and an intervening variable, Customer Satisfaction (Y), with one dependent variable, Customer Loyalty (Y).

Service Quality Variable (X1)

The quality of service is a measure of how well a company provides service in accordance with customer expectations (Wijaya, 2001:152). Service Quality Indicators:

1. Tangible (material)
2. Reliability (consistency)
3. Responsiveness (promptness)
4. Assurance (guarantee and trust)
5. Empathy (understanding and compassion)

Brand Image Variable (X2)

A financial institution, such as a bank, plays a crucial role in fostering economic growth within a country, including Timor-Leste. As a significant financial institution, it is expected that the performance of banking continuously improves over time. One key factor contributing to the success of banking businesses is the provision of satisfactory services that delight customers. According to Kasmir (2017: 47), Service Quality refers to an individual or organization's actions or behaviors aimed at providing satisfaction to customers, fellow employees, and stakeholders. The term "service" stems from the word "to serve," meaning to assist in preparing or managing whatever is required for another's actions of serving, making service a form of beneficial assistance or exchange of services from one party to another with friendliness, cordiality, politeness, and patience to meet customer needs.

Brand image, as per Kotler and Armstrong (2001: 225), is the customer's perception of the company or its products. Brand Image Indicators

Customer Satisfaction Variable

Financial institutions, particularly banks, play a crucial role in fostering economic growth within a country, such as Timor-Leste. As a vital financial institution, the performance of the banking sector is expected to consistently improve over time. One key factor contributing to the success of banking businesses is providing excellent services that satisfy customers. According to Kasmir (2017), Service Excellence refers to an individual or organization's actions or activities aimed at providing satisfaction to customers, colleagues, and stakeholders. The term "service" stems from the word "to serve," meaning to assist in preparing or managing whatever is required for another's actions to serve, thus service encompasses a series of beneficial actions or offerings from one party to another in a friendly, courteous, polite, and patient manner to meet customer needs.

Brand image is the customer's perception of the company or its products (Kotler and Armstrong, 2001: 225). Brand image indicators:
Customer satisfaction is the level of emotional feeling experienced by an individual after comparing the performance (or outcome) they experienced against their expectations. (Kotler, 2001: 46). Customer satisfaction indicators include:
1. Feeling content
2. Addressing complaints
3. The alignment between statements and expectations.

Customer Loyalty Variable (Y)

Customer loyalty is a deep commitment to repeatedly purchase or subscribe to a particular product or service consistently in the future. Band Oliver (2003). Customer loyalty indicators include:
1. The stability of not choosing another product
2. Recommend to others
3. Willingness to reuse

Population

The population in this study consists of 25,823 customers using Banco Nacional Comercio Timor-Leste's products at Suai Branch in the year 2023.

Sample

A sample represents a portion of the number and characteristics possessed by a population (Sugiyono, 2015). A sample is a part of the number and characteristics of a population. When dealing with large populations and researchers who cannot learn everything about the population, for instance, due to constraints in funds, manpower, and time, researchers can use a sample taken from that population. The consideration of sample selection in research involves some respondents being customers of Banco Nacional Comercio Timor Leste, Sucursal Suai, who have been clients for at least one year using the services of Banco Nacional Comercio Timor Leste, Sucursal Suai. The consideration of sample selection in research involves some respondents being customers of Banco Nacional Comercio Timor Leste, Sucursal Suai, who have been clients for at least one year using the services of Banco Nacional Comercio Timor Leste, Sucursal Suai. The selection of the sample is carried out using the Slovin formula, resulting in a sample of 100 customers using products for three consecutive years.

Data And Data Collection Methods

Primary data

According to Sugiyono (2015, p. 137), primary data sources consist of data directly obtained by the data collector from the respondents. In this research, the questionnaire comprises statements that the respondents are required to fill out. In this study, the type of questionnaire used is a closed-ended questionnaire, where respondents merely need to choose the most suitable answer corresponding to their reality.

Secondary Data

According to Sugiyono (2015, p. 137), secondary data refers to information not directly obtained by the data collector. In this research, secondary data was acquired from bibliographic studies, which include books, journals, previous research, and articles related to issues similar to those of this study. In this study, secondary data pertains to the development of Banco Nacional de Comercio's customer count in Timor Leste (BNCTL), Suai Sucoral.

Method Of Collecting Data

To acquire the necessary information and data for this writing, the author employs the following data collection techniques:

1. Interviews, a method to obtain data through direct question-and-answer sessions with relevant parties, thereby gathering supportive information and clarifications for the analysis in the research.
2. Questionnaires (surveys) represent a data collection approach that utilizes a prepared and organized list of questions, allowing respondents to fill them in or merely provide their signatures with ease and efficiency.

Data Analysis Technique

The technical data analysis in this research employs Partial Least Squares (PLS), which is a second-generation Multivariate Analysis utilizing structural equation modeling (SEM). PLS can be applied for small sample sizes, and naturally, larger sample sizes can enhance estimation precision. PLS does not require the assumption that data distribution must be normal. Construct forms can utilize reflective or formative models. The maximum number of indicators is also quite substantial, amounting to 1,000 (Hair, Hult, Ringle, & Sarstedt, 2014).

RESULTS AND DISCUSSION

A. RESULTS

Research outcomes, along with the hypothesis, are discussed towards the end. The findings and discussions are presented separately. This research utilizes an analysis aid, specifically the Partial Least Squares (PLS) software. The explanation of the research results and discussions are as follows:
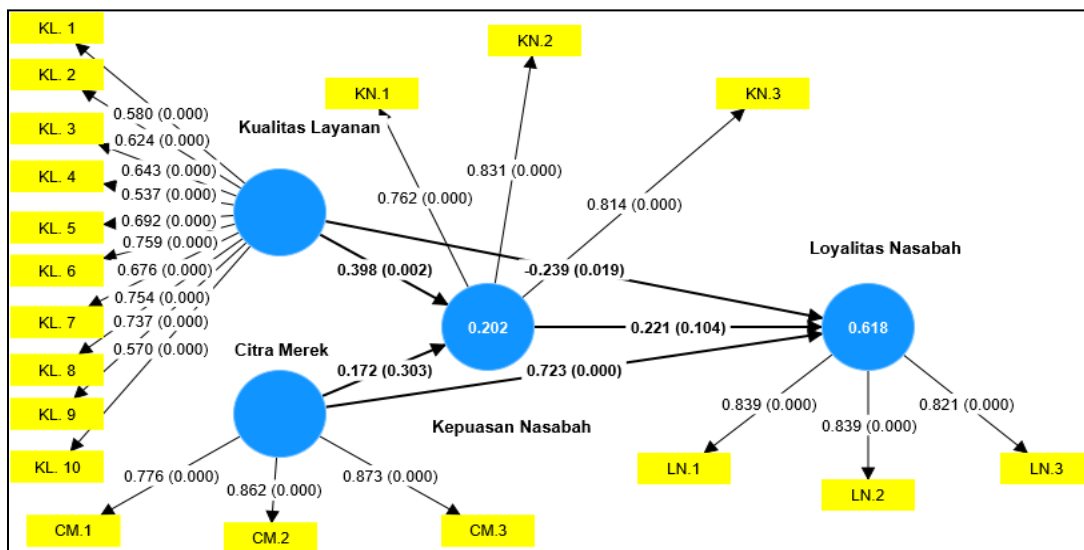

Figure 2. *Structural Model Analysis (Inner Model) Source 2023 Smart PLS version 4.0.6.9 Smart PLS Analysis Results*

Structural Analysis aims to test research hypotheses. This involves analyzing at least two components within the structural model: (1) Collinearity (Multicollinearity/Variance Inflation Factor/VIF), (2) Testing the significance of the structural model path coefficients, (3) Coefficient of Determination (R-Square).

Collinearity (Collinearity/Variance Inflation Factor/VIF)

In order to prove the correlation between latent/construct variables, collinearity testing is conducted. The model encounters methodological issues if viewed from a certain angle, particularly when there is a strong correlation, as it affects the statistical significance of the estimations. This problem is known as multicollinearity. To analyze it, the Variance Inflation Factor (VIF) value is utilized (Hair, Hult, Ringle, & Sarstedt, 2014).

If the VIF (Variance Inflation Factor) exceeds 5.00, it signifies a collinearity issue, and conversely, when VIF is below 5.00, there is no collinearity concern for each variable employed in the regression analysis within this study (Hair, Hult, Ringle, & Sarstedt, 2014). VIF variable

Table 2. *Collinearity Test Results*

Variable	VIF
Brand Image -> Customer Satisfaction	1.011
Brand Image -> Customer Loyalty	1.038
Customer Satisfaction -> Customer Loyalty	1.226
Service Quality -> Customer Satisfaction	1.011
Service Quality -> Customer Loyalty	1.196

Source 2023 Smart PLS version 4.0.6.9

From the PLS analysis results during the Collinearity test, it can be inferred that there is no issue or collinearity problem with each variable below, as the average obtained value is 1, thus the result is smaller than 5.00.

Testing the significance of the structural model path coefficient (Structural Model Path Coefficient).

This test aims to determine the path coefficient from the structural model, with the objective of testing the significance of all relationships or hypothesis testing.

Direct Effect Testing

Direct Effect Testing aims to prove a hypothesis concerning the direct impact of one variable on another. Criteria for drawing conclusions:

1. Path Coefficients (from the original sample) If a positive path coefficient indicates an increase in one variable's value is followed by an "increase" in another variable's value, the reverse is also true.
2. Probability values (P-values) compared to alpha (α) at 0.05. If P-values < α (0.05), H0 is rejected (meaning the effect of one variable on another is significant). If P-values > α (0.05), H0 is accepted (meaning the effect of one variable on another is not significant).

Table 3. *Direct Effect Test Results*

Influence between variables	Original sample (O) *(Path coefficients)*	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Note
Brand Image -> Customer Satisfaction	0.172	0.170	0.167	1.030	0.303	Not significant
Brand Image -> Customer Loyalty	0.723	0.701	0.141	5.135	0.000	significant
Customer Satisfaction -> Customer Loyalty	0.221	0.240	0.136	1.625	0.104	Not significant
Service Quality -> Customer Satisfaction	0.398	0.384	0.131	3.041	0.002	significant
Service Quality -> Customer Loyalty	-0.239	-0.234	0.102	2.346	0.019	significant

Source 2023 Smard PLS version 4.0.6.9

From the PLS analysis of the coefficient path testing, the analysis results are as follows:

1. The Quality of Service significantly affects Customer Satisfaction. The analysis indicates a positive effect, with a coefficient of 0.398 or 39.8%, meaning that excellent service quality can increase customer satisfaction by 39.8%, with a significant p-value of 0.002. The calculated T-value is 3.041, and the table value is 1.962. In conclusion, there is a positive and significant impact on the variables.

2. The Quality of Service has a negative impact on Customer Loyalty. The analysis shows this effect, with a coefficient of -0.239 or -23.9%, implying that unsatisfactory service quality can decrease customer loyalty by 23.9%. The significant p-value is 0.019, and the calculated T-value is 2.346. Compared to the table value of 1.962, this indicates a negative and statistically significant influence on the variables.

3. The Brand Image does not significantly affect Customer Satisfaction. The analysis suggests a coefficient of 0.172 or 17.2%, meaning that a good brand image can potentially increase customer satisfaction by 17.2%. However, the p-value is 0.303, and the calculated T-value is 1.030, which is not significant. Therefore, there is no significant impact, and the relationship between variables is not statistically significant.

4. The Brand Image has a positive impact on Customer Loyalty. The analysis indicates a coefficient of 0.723 or 7.23%, suggesting that a suitable brand image can increase customer loyalty by 7.23%. The significant p-value is 0.000, and the calculated T-value is 5.135. In comparison to the table value of 1.962, this demonstrates a positive and statistically significant influence on the variables.

5. Customer Satisfaction does not significantly affect Customer Loyalty. The analysis shows a coefficient of 0.221 or 2.21%, meaning that high customer satisfaction can potentially increase loyalty by 2.21%. However, the p-value is 1.040, and the calculated T-value is 1.625, which is not significant. Thus, there is no positive and statistically significant impact on the variables.

Indirect Effect Testing

The purpose of this test is to prove hypotheses concerning the direct impact of one variable on another (through a mediator). Attraction criteria for conclusions:

1. If the indirect effect coefficient yields a significantly low P-value (i.e., P-values < 0.05), the conclusion is that the true effect occurs directly.
2. If the indirect effect coefficient results in a non-significant P-value (i.e., P-values > 0.05), the conclusion is that the true effect occurs indirectly.

Table 4. *Indirect Influence Test Results*

Influence between variables	Original sample (O) *(Path coefficients)*	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV|)	P values	Note
Brand Image -> Customer Satisfaction -> Customer Loyalty	0.038	0.046	0.067	0.564	0.573	Significant
Service Quality -> Customer Satisfaction -> Customer Loyalty	0.088	0.090	0.060	1.464	0.143	Not significant

Source 2023 Smard PLS version 4.0.6.9

The analysis results indicate that the variable Customer Satisfaction is suitable as an intervening variable between Brand Image and Service Quality regarding Customer Loyalty because the P value is greater than 0.05. The coefficient of the Brand Image variable on Customer Loyalty through Satisfaction is 0.038, with a P value of 0.573. In contrast, the direct effect of Brand Image on Loyalty is 0.723 with a significance level of 0.000. The indirect effect of Service Quality on Loyalty through Satisfaction is 0.088 with a P value of 0.143, while the direct effect is -0.239 with a significance level of 0.019. This implies that the variable Customer Satisfaction can enhance Customer Loyalty as an intervening factor between Brand Image and Service Quality.

Coefficient of Determination (R-Square)

The objective of the R-squared analysis is to evaluate the accuracy of predictions in a model. It assesses how the variation in a dependent variable is influenced by the variation in an independent variable within a linear path model. A higher R-squared value indicates a better free variable in explaining the determined variable. Additionally, the R-squared probability value can be considered significant if the P-value is less than 0.05, classifying it as good (the free variable is sufficiently explanatory of the determined variable) (Hair, Hult, Ringle, & Sarstedt, 2014).

A R-squared value of 0.75 signifies a strong PLS model, a R-squared value of 0.50 indicates a moderate PLS model, and a R-squared value of 0.25 suggests a weak PLS model (Ghozali, 2016).

Table 5. *Coefficient of Determination*

Variable	R-square	Information
Customer Satisfaction	0.185	Weak contribution
Customer Loyalty	0.487	Contribution is quite strong

Source: 2023 Smard PLS version 4.0.6.9

Based on the analysis of the determination coefficient, the variable customer satisfaction exhibits an R-Square value of 0.185, or 18.5%, indicating that the contribution from the free variable, or independent variable, such as Service Quality and Brand Image, towards customer satisfaction is quite weak. On the other hand, the determination coefficient for the loyalty variable stands at 0.487, or 48.7%, signifying that the contribution from the free variable, or independent variables, including Service Quality, Brand Image, and Customer Satisfaction, towards customer loyalty is relatively strong.

B. DISCUSSION

In this study, the main objective is to analyze the impact of service quality and brand image on customer satisfaction and its impact on customer loyalty at Banco Nacional Comercio Timor-Leste, Suai Branch. The results of the analysis show several significant and important findings for further discussion.

1. The Effect of Service Quality on Customer Satisfaction

The results show that service quality has a significant positive effect on customer satisfaction. This is in line with the theory that good service can improve customer experience, thereby creating satisfaction. High service quality, which includes reliability, responsiveness, assurance, empathy, and physical aspects, are key factors in meeting customer expectations. This suggests that Banco Nacional Comercio needs to continue to improve their service standards to ensure customers are satisfied.

2. The Effect of Brand Image on Customer Satisfaction

The findings also show that brand image contributes positively to customer satisfaction. Customers tend to feel more satisfied when they have a positive perception of the bank's

brand. A good brand image not only creates positive expectations but can also increase customer trust. Therefore, a marketing strategy that emphasizes a positive bank image is very important to attract and retain customers.

3. The Influence of Customer Satisfaction on Customer Loyalty

In addition, this study found that customer satisfaction significantly affects customer loyalty. Satisfied customers are more likely to remain loyal and recommend products or services to others. This suggests that Banco Nacional Comercio can gain long-term benefits from focusing on improving customer satisfaction. By building strong and positive relationships with customers, the bank can increase loyalty and reduce customer attrition rates.

Research Limitations

The limitations of this research refer to the boundaries present within a specific study or investigation, which are:

1. This research exclusively employed quantitative data obtained from questionnaires filled out by the participants. Consequently, the data acquired is limited and cannot comprehensively inquire from the respondents.
2. The respondents utilized in this study are confined to the scope of customers using Banco Nacional Comercio Timor Leste's Suai Branch, thus not fully representing the effective usage of the bank's products.
3. The respondents were less meticulous and sincere in reading and filling out the statements within the questionnaire due to the researchers' inability to effectively control the seriousness and intentions of the respondents in completing the questionnaire.

Suggestion

Based on the research and analysis conducted by the researchers, this study still has numerous shortcomings, necessitating improvements and further attention for subsequent research endeavors. Several suggestions should be added to enhance the study even more, including but not limited to:

For Further Researchers

For subsequent researchers, this contribution to research is as follows:

1. It is hoped that future researchers will integrate quantitative data with qualitative data, resulting in more accurate and appropriate data reflecting the experiences and emotions of the respondents.
2. Future researchers are expected to be more meticulous and thorough in monitoring respondents while filling out the questionnaire, ensuring that respondents are attentive and not rushed in completing the questionnaire.
3. It is expected that future researchers be able to identify and describe more broadly the respondents used in their studies, as bank products are not only used by customers at Branch Suai but also by customers elsewhere (outside the region).

For Banco Nacional Comercio Timor Leste, sucursa Suai

1. In accordance with certain indicators from the questionnaire shared with the respondents, there are some key statements that received negative responses from them, such as the quality of service, the Bank's Brand Image (product) being insufficiently varied, thereby having a minimal influence on customers in making a decision to consistently use another bank's products.
2. Banco Nacional de Comércio de Timor-Leste, Suai Branch, To enhance customer loyalty and prevent them from switching to other banks, it is crucial to focus on service quality towards customers and improve the Bank's Brand Image by increasing customer satisfaction, thereby achieving the desired loyalty levels in line with the bank's expectations in terms of service.

CONCLUSION

The findings of this research titled "The Effect of Service Quality and Brand Image on Customer Satisfaction and Their Impact on Customer Loyalty at Banco Nacional Timor Leste, Suai Branch" can be summarized as follows:

1. Service Quality's Influence on Customer Satisfaction: The analysis indicates a positive, significant effect of Service Quality on Customer Satisfaction, implying that high-quality service can enhance customer satisfaction. Thus, Service Quality has a substantial impact on customer satisfaction.
2. Service Quality's Influence on Customer Loyalty: The analysis suggests a negative relationship between Service Quality and Customer Loyalty. This implies that there is a significant influence of Service Quality on Customer Loyalty.
3. Brand Image's Influence on Customer Satisfaction: The analysis shows no significant effect between Brand Image and Customer Satisfaction, suggesting that Brand Image does not significantly impact customer satisfaction.
4. Brand Image's Influence on Customer Loyalty: The analysis indicates a positive, significant effect of Brand Image on Customer Loyalty, meaning a strong brand image can increase customer loyalty. It can be inferred that there is a significant impact of Brand Image on Customer Loyalty.
5. Customer Satisfaction's Influence on Customer Loyalty: The analysis demonstrates no significant effect between Customer Satisfaction and Customer Loyalty, indicating that Customer Satisfaction does not significantly affect customer loyalty.
6. The Positioning of Customer Satisfaction as an Intervening Variable: The study reveals that Customer Satisfaction is an appropriate intervening variable between Brand Image and Service Quality's effects on Customer Loyalty. This means that Customer Satisfaction can enhance Customer Loyalty as an intervening variable between Brand Image and Service Quality.

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