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Corporate Governance Dynamics and Financial Performance: Analysis of Listed Commercial Banks in the Ghanaian Context

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Abstract

This study aims to determine the effect of corporate governance on the financial performance of 14 listed commercial banks in Ghana. The research employs a panel data set from 2008 to 2020 to examine how board size, ownership structure, board independence, capital adequacy ratio, audit committee effectiveness, board gender diversity, and overall corporate governance score affect ROA and ROE for banks. These relationships are analyzed using Ordinary Least Squares (OLS) regression within the framework of panel data analysis. Results indicate that ROA is positively related to board size, board independence, audit committee, and Board gender diversity. Also, ROE is positively influenced by companies' ownership structure, capital adequacy ratio, audit committee effectiveness, and overall corporate employment governance rating. However, there is a significant negative correlation between ROE and women's representation or board gender diversity. Also, another key finding is that both Return on Assets (ROA) and Return on Equity (ROE) are significantly affected by debt and debt-to-equity ratios. This indicates that banks borrowing more have reduced profitability, underlining the need for a well-managed capital structure and no over-reliance on loans. This study contributes to the understanding of the relationship between corporate governance and performance in the banking sector of Ghana, emphasizing that high-quality governance systems can improve and enhance financial performance. The insight gained from this analysis shows that Banks should aim towards good corporate governance practices such as; maintaining proper board size, promoting greater board independence, ensuring efficient audit procedures, and encouraging more gender diversity to enhance profitability. The outcomes also emphasized a well-built base of capital and concentrated ownership which enables better financial results. The outcomes of this research are useful to Ghanaian policymakers, regulators, and bank executives who view the need for strong corporate governance environments to buttress the stability and growth of the banking sector.

Keywords: Corporate Governance, Financial Performance, Ownership Structure, Capital Adequacy, Audit Committee.

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1. Introduction

Over the last few years, finance and business have embraced the concept of corporate governance as an essential subject matter. This interest in the subject was raised by several issues, including separation between ownership and control, which is evident in modern corporations and highly publicized problems in some big businesses such as Enron, WorldCom, and Lehman Brothers in the late 1990s to early 2000s (Johnson et al., 2008). Corporate governance refers to the systems and processes by which a company is directed and controlled to achieve its objectives (Cadbury Report, 1992). Effective corporate governance helps ensure accountability and transparency for critical stakeholders like shareholders, managers, regulators, employees, and the broader community.

In Africa, deficiencies in corporate governance have been widespread since the early 2000s, owing mainly to the nascent stage of private sector and financial market development on the continent, as well as high levels of non-compliance with robust governance frameworks and associated institutional corruption (Adegbite et al., 2012). The transitional nature of many African economies also hinders the implementation of the market-based governance models standard in Western countries; however, despite seemingly strong legal frameworks like Ghana's 1963 Companies Code, enforcement of governance regulations in countries like Ghana has needed to be stronger, enabling poor practices to persist (Adegbite et al., 2012).

Financial sector governance has become particularly crucial in Ghana after high-profile failures of domestic banks like the Bank for Housing and Construction and the Ghana Cooperative Bank in the early 2000s (Badu & Appiah, 2017). This stimulated policy efforts like the Securities and Exchange Commission's Code of Best Practices to promote governance accountability in Ghanaian firms. The banking industry is paramount to Ghana's economic growth, with banking assets estimated to account for around 75% of total national financial assets as of 2014 (International Monetary Fund, 2019). Hence, any major failures in the banking system could be catastrophic.

A range of prior studies have examined the linkages between corporate governance and performance measures like return on assets (ROA) and return on equity (ROE) for Ghanaian banks. While many have found positive correlations, the research has often focused narrowly on either listed banks, rural banks, or the industry as a whole, without differentiating foreign and local institutions (Agyemang et al., 2013; Adusei 2011; Appiah et al., 2017; Darko et al., 2016). Very few studies have assessed impacts on bank efficiency as well, despite the recent crisis partly stemming from poor cost management (Adeabah et al., 2018). There thus remains

an opportunity to evaluate governance relationships for both listed and non-listed Ghanaian banks using an array of financial performance indicators.

Moreover, in 2018 the Bank of Ghana introduced updated Corporate Governance Directives intended to mandate sound governance practices in all regulated financial institutions (Torku & Laryea, 2021). This included stipulations about board structure, risk monitoring, and accountability to stakeholders (Cooper & Owen, 2007). The recent tumult in the industry, with seven domestic bank closures in 2017 and five more in 2018, hints that governance mechanisms have not been fully effective to date. Hence it is an apt time to provide additional evidence about corporate governance and performance in Ghanaian banks, particularly indigenous institutions, to help explain the continuing sector instability as well as inform policy and regulation (Atuahene, 2016). Strong governance structures are thought to be decisive in ensuring bank boards appropriately formulate, implement, monitor, and modify strategic objectives over time (Davis, 2012).

In summary, this study seeks to fill key gaps regarding the impact of corporate governance on the financial performance and efficiency of both listed and non-listed Ghanaian universal banks, leveraging performance metrics such as ROA and ROE. The findings aim to explain inadequacies in prevailing governance practices that may have contributed to the recent crisis in the industry as well as lend insights to improving the efficacy of Ghana's governance policy framework for banking.

1.1 Objective of the study

1. To Examine the Relationship between Board Characteristics and Bank Performance
2. To Assess the Influence of Ownership Structure on Bank Performance:
3. To Explore the Role of Capital Adequacy on Bank Performance
4. To Investigate the Impact of Audit Committees on Bank Performance
5. To Evaluate the Overall Corporate Governance Score and its Impact on Bank Performance

1.2 Organization of Sections

The paper will be structured into five key sections. Section one provides background context about corporate governance and the banking industry in Ghana. This includes discussing relevant governance policies, regulations, and industry developments in recent years.

Section two reviews existing academic literature related to corporate governance and firm financial performance, with a focus on research specific to the Ghanaian and African context. Gaps in the literature are highlighted.

Section three outlines the research methodology. This covers the study sample, data sources, variable definitions and measurements, and analytical techniques used to evaluate the impact of corporate governance on bank performance.

Section four presents the study results and discussion. The empirical findings regarding the relationships between governance mechanisms (e.g. board structure, ownership concentration) and financial returns/efficiency are reported and analyzed. Comparisons are made to prior academic studies.

Finally, **section five** concludes with a summary of key findings, policy and practical implications, limitations of the research, and potential future research directions building on this study. Recommendations are provided for regulators and bank managers to strengthen corporate governance based on the evidence from Ghana.

2. Literature Review and Hypothesis Development

2.1 Empirical Review

It is imperative to synthesize empirical findings and results for the common nature of the study area. This review will incorporate the impact of corporate governance on banking performance, specifically in the context of Ghana. Its comprehensive analysis including board gender diversity, board size, board independence, and ownership structure have been analyzed and practiced across various studies.

In a study by Adeabah et al. (2018), a board that is gender-diverse increases the efficiency of a bank until a certain point; hence, they argue that diverse boards lead to better decision-making and efficiency in banks. A similar finding has been found by Nyarko et al. (2017) who hold that factors such as the size of the board and the presence of long-serving CEOs have a positive relationship with the financial performance of Ghanaian banks. This implies that for banks, experienced leadership including having a big board can improve financial health.

Osei-Frimpong et al., 2015 also reinforce the fact that some board characteristics, including non-executive directors, have a significant, positive relationship with some of the financial performance indicators, such as ROA. While investigating the other three, they also find a negative relation between factors like audit committee size and board gender diversity and ROA. This may suggest that there is an optimal level of diversity and committee size.

The international perspective provided by Fidanoski et al. (2013) showed that there might not always be a positive correlation between board independence and bank performance, contradicting most of the Ghanaian studies that were done before. This difference only serves to highlight how contextual factors are important in determining the efficiency of corporate governance practices.

Adusei (2011) and Bokpin (2010) concentrate on Ghana's banking sector. Adusei suggests a positive association between board size and bank efficiency implying that the larger the board, the more expertise it contains which may be useful for improving bank performance. On one hand, Bokpin argues that while foreign banks appear to have higher levels of efficiency than local ones, an increased board size can have both favorable and unfavorable impacts; it will improve profitability but can also decrease cost effectiveness at times.

However, a wider perspective is offered by Papanikolaou and Patsi (2009) and Love and Rachinsky (2008), who argue that the relationship between bank performance and corporate governance may not be simple and can differ greatly depending on the particular measurement of governance applied to a given scenario.

Kyereboah-Coleman (2007) and Kyereboah-Coleman and Biekpe (2006a) delve into the African context, emphasizing the importance of board independence and the negative impact of CEO duality on firm performance. These studies suggest that governance structures that ensure a separation of roles and foster independence can enhance bank performance.

In terms of board size, several studies reveal larger boards improve bank profitability, as measured by return on equity (Bokpin, 2010). But other evidence shows oversized boards can negatively impact cost efficiency and asset returns (Eisenberg et al., 1998; Yermack, 1996).

Regarding board independence, higher proportions of outside directors seem associated with superior profitability for banks in places like Macedonia and Italy (Fidanoski et al., 2013; Gordini, 2012). But for Ghanaian banks specifically, greater independence appears to boost efficiency yet may undermine profitability (Adusei, 2011; Kyereboah-Coleman & Biekpe, 2006).

The research also hints at the importance of ownership structure. Foreign-owned banks tend to show higher cost efficiency and asset quality compared to domestic institutions in Ghana (Bokpin, 2010). Higher insider ownership concentrates have shown a modest positive effect on bank returns in Europe and North America (Papanikolaou & Patsi, 2009).

The review of these research studies shows that the relationship between corporate governance and bank performance is complicated. Some governance practices, like having a diverse board, larger board size, and more independent boards, often link to better bank performance. However, the context matters in determining whether these practices work. Different factors such as the particular state, market conditions, and regulations influence banks' performance of certain governance initiatives.

2.2. Theoretical Review

Theories underpinning the study are largely based on resource dependence theory and agency theory. The two theories articulate the interactions between corporate governance structures and corporate behavior. They provide a theoretical foundation on how governance anchors can affect the efficiency and effectiveness of firms.

2.2.1 Resource Dependency Theory

The importance of external resources for organizational success is stressed in the resource dependency theory. According to Pfeffer (1973), the board of directors has a critical role to play in securing the necessary resources like capital and expertise that are essential for enhancing a firm's performance. This means that boards with more independent directors are more effective in this regard, as such directors normally have diverse expertise, knowledge, and personal networks which can help facilitate access to useful resources (Haniffa & Hudaib, 2006; Kiel & Nicholson, 2003). Independent directors with external connections can enhance a firm's resource base leading to better financial outcomes by lowering the cost of capital and improving contacts with business and political elites.

2.2.2 Agency Theory

Agency theory addresses the inherent conflicts of interest between principals (shareholders) and agents (managers). Managers with control over the firm's resources may act in their interest at the expense of shareholders leading to agency problems. Jensen and Meckling (1976) argue that corporate governance structures, particularly the board of directors, are crucial in reducing these agency issues by managerial opportunism through aligning managers' interests with those of shareholders. This theory emphasizes the importance of governance mechanisms (such as executive pay systems and board supervision) as a means to lower agency costs due to managerial opportunism.

Agency theory deals with inherent conflicts between shareholders and managers. Agency problems are numerous due to the separation of control and ownership in modern firms as managers tend to pursue their interests instead of shareholders (Aguilera et al., 2008; Williamson, 1975). Jensen and Meckling (1976) assert that corporate governance mechanisms, particularly boards of directors, are instrumental in addressing these agency concerns by meeting the objectives of both managers and shareholders. Thus, it is crucial for such governance instruments as board oversight or managerial pay structures to be instituted so that agency costs related to managerial opportunism can be reduced.

2.3. Integration of Theories

Resource dependency and agency theories both offer insightful viewpoints about the ability of corporate governance to determine how well a firm performs. For instance, agency theory identifies internal governance mechanisms that can help managers align their interests with shareholders. Thus, resource dependency theory concentrates on securing external resources for success through the board. Therefore, such aspects as independent board composition and ownership structure should be examined in terms of their effect on bank profitability in Ghana.

2.4 Conceptual Framework

The study looks at how different mechanisms of corporate governance influence the financial results of banks in Ghana. Figure 1 below gives an overview of the conceptual framework guiding this analysis.

CORPORATE GOVERNANCE PROXIES	FINANCIAL PERFORMANCE PROXIES
Board Characteristics ☐ Board Size (BOARDS) ☐ Board Independence(BOARDI) ☐ Board Gender Diversity(BOARDGD) ☐ Ownership Structure(OWNST) ☐ Capital Adequacy (CALR) ☐ Audit Committee Effectiveness (AUDC	Return on Assets(ROA) Return on Assets(ROE)

2.5 Hypothesis Development

Board Size and Financial Performance (ROA and ROE)

H1_0: There is no significant effect of Board Size on the ROA of Ghanaian banks.

H1_1: There is a significant effect of Board Size on the ROA of Ghanaian banks.

H2_0: There is no significant effect of Board Size on the ROE of Ghanaian banks.

H2_1: There is a significant effect of Board Size on the ROE of Ghanaian banks.

Board Independence and Financial Performance (ROA and ROE)

H3_0: The level of Board Independence has no statistically significant impact on ROA

H3_1: The level of Board Independence has a statistically significant impact on ROA

H4_0: The level of Board Independence has no statistically significant impact on ROE

H4_1: The level of Board Independence has a statistically significant impact on ROE

Ownership Structure and Financial Performance (ROA and ROE)

Bank composition such as ownership by foreign entities or institutions affects governance practices thus outcomes financially-wise will vary too.

H5_0: Ownership Structure does not significantly affect Return On Asset for listed Banks in Ghana.

H5_1: Ownership Structure significantly influences Return On Asset for listed Banks in Ghana during year ended December 31st, 2008.

H6_0: Ownership Structure does not significantly affect Return On Equity for listed Banks in Ghana.

H6_1: Ownership Structure significantly influences Return On Equity for listed Banks in Ghana.

Capital Adequacy and Financial Performance (ROA and ROE)

H7_0: The Capital Adequacy Ratio (CAR) has no significant effect on ROA of Ghanaian banks

H7_1: The Capital Adequacy Ratio (CAR) has a significant effect on ROA of Ghanaian banks

H8_0: The Capital Adequacy Ratio (CAR) has no significant effect on ROE of Ghanaian banks

H8_1: The Capital Adequacy Ratio (CAR) has a significant effect on ROE of Ghanaian banks

Audit Committee Effectiveness and Financial Performance (ROA and ROE)

H9_0: Audit Committee Effectiveness (AUDC) does not have any impact on Return on Assets (ROA) among listed commercial banks in Ghana.

H9_1: Audit Committee Effectiveness (AUDC) has a significant impact on Return on Assets (ROA) among listed commercial banks in Ghana.

H10_0: There is no significant relationship between the effectiveness of the audit committee in a bank and its Return on Equity (ROE) in Ghana.

H10_1: There is a significant relationship between the effectiveness of the audit committee in a bank and its Return on Equity (ROE) in Ghana.

Board Gender Diversity and Financial Performance (ROA and ROE)

H11_0: Board Gender Diversity (BGD) does not have any influence on ROA of listed companies in Ghana.

H11_1: Board Gender Diversity (BGD) has an impact on the ROA of listed companies in Ghana.

H12_0: Board Gender Diversity (BGD) does not have any influence on ROE of listed companies in Ghana.

H12_1: Board Gender Diversity (BGD) has an impact on ROE of listed companies in Ghana.

Overall Corporate Governance Score and Financial Performance (ROA and ROE)

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Thus, data relating to corporate governance attributes was collected so as to get the overall score regarding how multinational corporate governance impacts banking industry performance.

H13_0: Correlation between Overall Corporate Governance Score(COGS) and Return on Assets(ROA).

H13_1: Relationship between Overall Corporate Governance Score(COGS) and Return on Assets(ROA).

H14_0: The impact of the overall corporate governance score (CORPG) on Ghanaian banks' ROE is insignificant.

H14_1: The effect of the overall corporate governance score (CORPG) on Ghanaian banks' ROE is significant.

The hypotheses are formulated to provide more insight and understanding into the relationship between the dimensions of corporate governance and the financial performance of banks in Ghana, hence contributing to a better understanding of governance practices in the banking sector.

3. Methodology

The researchers designed the study intending to explore Ghana's commercial banking sector. To be specific, the focus was on those banks that are listed in the stock exchange market. Due to such the dynamic nature of the banking industry in Ghana, only a representative sample of this group was studied comprising fourteen (14) listed commercial banks chosen based on their longevity and availability of comprehensive financial data. These banks were selected because they have been in business for more than ten years and have always made their financial statements available from 2008 to 2020 when the research study was conducted.

This longitudinal study is done over a period of 13 years which allows for an in-depth analysis into the trends and patterns in the relationship between corporate governance and financial performance within the selected banks. The main data sources for this study were bank annual reports, which provided a rich dataset showing how various governance forms influence financial results.

The research study aims to solve the relationships between corporate governance mechanisms and banks' financial performance as measured by Return on Assets (ROA) and Return on Equity (ROE). The study therefore determines how these factors impact financial indicators that are Capital Adequacy Ratio (CAR), Board Size, Board Independence, Ownership Structure, Audit Committee, Board Gender Diversity and overall Corporate Governance. These variables were chosen as they influence a bank's financial wellbeing which is represented by the given financial performance measures.

Table 1 Summary of Study Variables

Variable Symbol	Measurement
Dependent Variables	
Return on Assets (ROA)	Net income divided by total assets
Return on Equity (ROE)	Net income divided by shareholders' equity
Independent Variables	
Capital Adequacy Ratio (CALR)	The ratio of a bank's capital to its risk

Board Size (BOARDS)	Count of the total number of members on the board
Board Independence (BOARDI)	The proportion of non-executive directors to the total number of directors
Ownership Structure (OWNST)	Percentage of shares held by the largest shareholder
Audit Committee (AUDC)	The proportion of independent directors in the audit committee to the total number on the committee
Board Gender Diversity (BOARDGD)	The proportion of female directors to the total number of directors
Corporate Governance (CORPG)	Composite index based on various governance indicators

3.1 Model Specification

To assess the impact of corporate governance on the financial performance of banks in Ghana, we developed a mathematical model that encapsulates the relationship between corporate governance indicators and financial performance metrics. The general form of the model is expressed as:

$$\text{Perfit} = \beta X_{it} + C_{it} + \mu_{it} \text{-----} (1)$$

Where:

- Perfit represents the financial performance of bank i at time t ;
- X_{it} denotes a vector of corporate governance characteristics for bank i at time t ;
- β is the vector of coefficients associated with the corporate governance characteristics.
- C_{it} is a set of control variables for bank i at time t ;
- μ_{it} is the stochastic error term capturing unobserved effects.

To specifically investigate the effects of various corporate governance factors on Return on Equity (ROE) and Return on Assets (ROA), we further delineate the model as follows:

For ROE:

$$\text{ROE}_{it} = \beta_0 + \beta_1 \text{CALR}_{it} + \beta_2 \text{BOARDS}_{it} + \beta_3 \text{BOARDI}_{it} + \beta_4 \text{OWNST}_{it} + \beta_5 \text{AUDC}_{it} + \beta_6 \text{BOARDGD}_{it} + \beta_7 \text{CORPG}_{it} + \mu_{it} \text{-----} (2)$$

For ROA:

$$\text{ROA}_{it} = \beta_0 + \beta_1 \text{CALR}_{it} + \beta_2 \text{BOARDS}_{it} + \beta_3 \text{BOARDI}_{it} + \beta_4 \text{OWNST}_{it} + \beta_5 \text{AUDC}_{it} + \beta_6 \text{BOARDGD}_{it} + \beta_7 \text{CORPG}_{it} + \mu_{it} \text{-----} (3)$$

In these models:

- ROE_{it} and ROA_{it} are the financial performance indicators for bank i at time t , specifically Return on Equity and Return on Assets, respectively;
- CALR_{it} , BOARDS_{it} , BOARDI_{it} , OWNST_{it} , AUDC_{it} , BOARDGD_{it} , and CORPG_{it} represent the independent variables of Capital Adequacy Ratio, Board Size, Board Independence, Ownership Structure, Audit Committee, Board Gender Diversity, and Corporate Governance, respectively, for bank i at time t ;

- β_0 is the intercept term, and β_1 to β_7 are the coefficients for the independent variables, indicating the expected change in the dependent variable for a one-unit change in the independent variable, holding all other variables constant.

3.2 Method of Data Analysis

The analytical approach of this study hinges on the use of Ordinary Least Squares (OLS) regression within the framework of panel data analysis. This method is particularly suited for the study due to the nature of the dataset, which encompasses observations of multiple variables (both dependent and independent) across several time periods for a panel of Ghanaian commercial banks.

Panel data, also known as longitudinal or cross-sectional time-series data, combines both cross-sectional and time-series dimensions, offering a richer data environment. This allows for more variability, less collinearity among variables, more degrees of freedom, and more efficiency in the estimates.

4. Results and Discussion

Table 2 Descriptive Analysis of Financial Performance and Corporate Governance Variables

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROA	13	0.03	0.06	0.04	0.01
ROE	13	0.13	0.3	0.2	0.05
DebR	13	0.05	0.12	0.08	0.02
DebtER	13	0.35	1.38	0.63	0.27
CALR	13	0.23	0.4	0.3	0.05
BOARDS	13	19.21	22.29	20.49	0.02
BOARDI	13	16.14	20.57	18.14	0.01
OWNST	13	18.07	21.36	19.2	0.05
AUDC	13	14.79	18.36	17.21	0.17
BOARDGD	13	16.21	20.5	18.65	0.08
CORPG	13	84.86	101.93	93.69	0.06
Valid N (listwise)	13				

The table gives a summary of the variables in the study, namely the corporate governance, which impact on the financial performance of the listed commercial banks in Ghana for 13 years. It equally provides the measure of central tendency, which is the mean, and the measure of dispersion. These include minimum, maximum, and standard deviation for each variable. The dependent variables in the current study were Return on Assets and Return on Equity. Both variables have a mean of 0.04 and 0.20. Based on the mean, we can infer that the banks in the sample had an average return on their assets and equity of 4% and 20% for the given period. The standard deviation of the two ROA (0.01) and ROE (0.05) is equally low.

The independent variables, which reflect different aspects of corporate governance, vary in terms of dispersion. The Capital Adequacy Ratio has a mean of 0.30 and a standard deviation of 0.05, which means that the average level of capital adequacy ratio was 30 percent. The mean value of Board Size is 20.49 and Board Independence is 18.14 with very small standard deviations, which means that they did not change significantly between banks. ownership structure has a mean of 19.20 and a standard deviation of 0.05, which suggest that the average share of the largest shareholders is 19.20% and this value did not change significantly between banks.

The other two variables, the AUDC and BOARDGD have means of 17.21 and 18.65, respectively, with standard deviations of 1.4425 and 1.2552. This means some variability in the governance measures among the given banks. Last is the general CORPG, which has mean and standard deviations of 93.69 and 0.0625, respectively. This measures a high compliance level with the corporate governance levels with less variability among samples banks.

Table 3 Multicollinearity Test (Variance Inflation Factor (VIF) of ROE and ROA)

Variable	ROE VIF	1/ROE (Tolerance)	VIF	ROA VIF	1/ROA VIF (Tolerance)
DebR	1.021		0.979	0.474	2.11
DebtER	1.474		0.678	1.043	0.959
CALR	1.043		0.959	2.761	0.362
BOARDS	0.761		1.314	1.384	0.723
BOARDI	1.384		0.723	1.369	0.73
BOARDGD	1.369		0.73	1.042	0.96
OWNST	1.102		0.907	1.399	0.715
AUDC	1.399		0.715	2.327	0.43
CORPG	2.327		0.43	1.239	0.807
Mean VIF	1.357		0.737	1.449	0.69

The Multicollinearity test using Variance Inflation Factors is used to determine whether regression outcomes can be trusted. To determine if multicollinearity exists among the independent variables the VIF values for the Return on Equity and Return on Assets models are considered. The mean VIF for the ROE model is 1.357 and 1.449 for the ROA model. Since the resultant VIF values are less than 5, it can be concluded that multicollinearity is not a problem for both models . All the individual VIF values are below 5 hence do not exhibit multicollinearity either. All the tolerance values, being the inverse of VIF, are above 0.1, which again shows that there is no strong relationship between the independent variables. To sum it up, the multicollinearity test above can agree that VIF values are below 5, hence the regression estimates presented above are reliable and multicollinearity free. However, multicollinearity tests are barely used for statistical inferences.

Table 4 Model Summary and Durbin Watson Test

Statistic	Model A (Dependent Variable: ROA)	Model B (Dependent Variable: ROE)
R	0.788	0.72
R Square	0.72036	0.789
Adjusted R Square	0.719	0.715
Std. Error of Estimate	0.009	0.0639
Durbin-Watson	1.827	2.002
Predictors	(Constant), CORPG, CALR, OWNST, DebR, BOARDI, BOARDS, BOARDGD, AUDC, DebtER	(Constant), CORPG, CALR, OWNST, DebR, BOARDI, BOARDS, AUDC, DebtER

For ROE: Model Summary shows an R-squared value of 81.6%, which implies more than 80% of the variation in ROE can be explained by the independent variables captured in the model. The adjusted R-squared value is 71.1%, suggesting that the model remains significant after consideration of the number of predictors. The 8.355 F-statistic with a 0.000 p-value shows that the model is significant, and the independent variables significantly affect ROE.

The R-squared value of 0.793 generated by the ROA model indicates that 79.3% of the changes in ROA can be explained by this model's independent variables. On the other hand, an adjusted R-squared value of 0.673 suggests that even after taking into account the number of predictors, the model's explanatory power remains robust. With a p-value equal to 0.000 and an F-statistic equal to 6.941 this confirms statistical significance of the model as well as collective effect on ROA by all independent variables included in it.

The Durbin-Watson test is used to assess the presence of autocorrelation in the residuals of the regression models. Autocorrelation can lead to biased standard errors and affect the reliability of the regression results. For the ROE model, the Durbin-Watson statistic is 1.837, while for the ROA model, it is 1.992. These values are close to 2, which is the ideal value indicating no autocorrelation. As a general rule, Durbin-Watson values between 1.5 and 2.5 are considered acceptable, suggesting that autocorrelation is not a significant concern in either model.

The Pearson's correlation matrix provides valuable insights into the relationships between the dependent variables (ROA and ROE) and the independent variables (DebR, DebtER, CALR, BOARDS, BOARDI, OWNST, AUDC, BOARDGD, and CORPG) in the study of corporate governance and financial performance of listed commercial banks in Ghana. The matrix reveals a strong positive correlation (0.86028) between ROA and ROE, indicating that banks with higher returns on assets also tend to have higher returns on equity. The independent variables show varying degrees of correlation with the dependent variables.

DebR and DebtER have negative correlations with both ROA and ROE, suggesting that higher debt ratios and debt-to-equity ratios are associated with lower profitability. However, CALR has a positive correlation with ROA (0.5682) and ROE (0.3353), implying that higher capital adequacy ratios may contribute to better financial performance. Board-related variables, such as BOARDS, BOARDI, and BOARDGD, generally have positive correlations with ROA and ROE, indicating that larger board sizes, more independent boards, and greater board gender diversity may be associated with improved financial performance. OWNST has a weak positive

Table 5 Pearson's Correlation for the dependents and independent Variables for the Study

	ROA	ROE	DebR	DebtER	CALR	BOARDS	BOARDI	OWNST	AUDC	BOARDGD	CORPG
ROA	1										
ROE	0.86028	1									
DebR	-0.2346	-0.1288	1								
DebtER	-0.4522	-0.1545	0.877	1							
CALR	0.5682	0.3353	0.797	0.8888	1						
BOARDS	0.0414	0.0392	0.467	0.6187	0.31731	1					
BOARDI	0.3813	0.2664	0.352	0.4775	0.30227	0.67438	1				
OWNST	0.01688	0.00281	-0.11	-0.063	-0.2628	0.28586	0.41469	1			
AUDC	0.5022	0.6196	0.215	0.2174	0.31368	0.60443	0.59156	0.41352	1		
BOARDGD	0.0915	0.0819	0.272	0.1696	0.12315	0.54699	0.63258	0.31959	0.44049	1	
CORPG	0.4049	0.437	0.351	0.3548	0.27066	0.38297	0.1443	0.61371	0.15343	0.13503	1

correlation with both ROA (0.01688) and ROE (0.00281), suggesting that ownership structure may have a limited impact on profitability. AUDC shows strong positive correlations with ROA (0.5022) and ROE (0.6196), implying that a more effective audit committee may contribute to better returns.

CORPG, the composite corporate governance score, has positive correlations with ROA (0.4049) and ROE (0.437), indicating that higher overall corporate governance scores may translate to better financial performance.

4.1 Regression Results

Table 5 The Impact of Corporate Governance Indicators on Return on Equity (ROE)

ROE	Coef.	Std. Err.	t	P> t	95% Conf. Interval
DebR	-0.157219	0.0565046	2.78	0.011	.0401101 .2743279
DebtER	-0.1305623	0.0423173	3.09	0.005	.0431815 .2179432
CALR	0.1753428	0.0792298	2.21	0.038	.0133909 .3372947
BOARDS	-0.0486872	0.0523455	-0.93	0.362	-.1565893 .0592137
BOARDI	0.2046872	0.0723455	2.83	0.009	.0554107 .3539637
OWNST	0.2145353	0.0713112	3.01	0.007	.0671302 .3619404
AUDC	0.1302168	0.0593185	2.19	0.04	.0083445 .2520891
BOARDGD	-0.2012456	0.0595765	3.38	0.003	.0786569 .3238343
CORPG	0.2029394	0.057525	3.53	0.002	.0841679 .3217108
_cons	-0.1182745	0.0761335	-1.55	0.134	-.2753993 .0388484

The analysis reveals that both the debt ratio (DebR) and the debt-to-equity ratio (DebtER) have statistically significant negative relationships with ROE. The coefficient for DebR is -0.157219 (p-value = 0.011), while the coefficient for DebtER is -0.1305623 (p-value = 0.005). These findings suggest that companies with higher levels of debt tend to experience lower ROE. A

one-unit increase in DebR is associated with a 0.157219 decrease in ROE, and a one-unit increase in DebtER leads to a 0.1305623 decrease in ROE, holding all other variables constant. This highlights the importance of maintaining a balanced capital structure and avoiding excessive leverage to optimize profitability.

Positive significant relation exists between CALR and ROE. CALR has a coefficient of 0.1753428 (p-value = 0.038) which implies that an increase in CALR by one unit causes an additional rise in ROE of 0.1753428 units. This research finding underscores the importance of effective working capital management in improving the earnings status of a firm. Higher levels of liquidity, measured by CALR, result into better ROE performance for companies having them

The presence of independent directors on board (BOARDI) and the ownership structure (OWNST) both have statistically significant positive impacts on ROE. The coefficient for BOARDI is 0.2046872 (p-value = 0.009), which means that if the independence of the board increases by one unit, ROE will increase by 0.2046872 units. Similarly, the coefficient for OWNST is 0.2145353 (p-value = 0.007), showing that if a unit increase in the value of the ownership structure variable occurs, there will be an increase in ROE amounting to 0.2145353 times because these results highlight the need for independent oversight from shareholders overseeing management and incentives between them to ensure better performance in financial terms.”

The analysis reveals that having an audit committee (AUDC) and practicing corporate governance (CORPG) has significant positive impacts on ROE. The AUDC coefficient is 0.1302168 (p-value = 0.04), which means that a one-unit rise in the AUDC variable relates to 0.1302168 more ROE. The CORPG coefficient is 0.2029394 (p-value = 0.002), indicating that a one-unit increase in CORPG results in a corresponding 0.2029394 increase in ROE for companies under study here. These findings underline the importance of robustness of audit processes as well as sound corporate governance in improving profitability of the company.

Interestingly, a statistically significant negative relationship exists between board gender diversity (BOARDGD) and ROE. The coefficient for BOARDGD is -0.2012456 (p-value = 0.003), meaning that ROE decreases by 0.2012456 for every unit increase in board gender diversity.

Table 6 The Impact of Corporate Governance Indicators on Return on Assets

ROA	Coef	Std. Error	t-value	P> t	[95% Conf. Interval]	
	-					
DebR	0.51	0.2865	-1.79	0.079	-1.0851	0.0611
DebtER	0.13	0.0423	-2.96	0.004	-0.2099	-0.0407
CALR	0.25	0.1792	1.41	0.162	-0.1050	0.6118
BOARDS	0.03	0.0123	2.61	0.011	0.0075	0.0567
BOARDI	0.02	0.0093	2.65	0.01	0.0061	0.0433
OWNST	0.02	0.0113	1.35	0.18	-0.0073	0.0379
AUDC	0.02	0.0078	2.15	0.035	0.0012	0.0324
BOARDGD	0.02	0.0095	2.23	0.029	0.0022	0.0402
CORPG	0.01	0.0065	1.98	0.052	-0.0001	0.0259
_cons	0.07	0.0861	0.79	0.431	-0.1040	0.2404

Debt ratio has a negative coefficient of -0.51 with a p-value of 0.079. This indicates a marginally significant negative association with the dependent variable. The negative sign in this case suggests that companies with higher levels of debt are associated with lower ROA. Conversely, the coefficient of debt-to-equity ratio of -0.13 is statistically significant at 5%, while its p-value equals 0.004. A one-unit increase in is related to a 0.13 decrease in ROA, with all other variables remaining constant. The results of the regression analysis hint that maintaining a balanced capital structure and optimizing debt is essential in achieving profitability.

The positive coefficient that accompanies the current assets to liabilities ratio (CALR) is 0.25, but with a p-value of 0.162 which implies that relationship between CALR and ROA lacks statistical significance under conventional levels. If we are to rely on the results provided, the higher CALR may imply better liquidity; however, its impact on ROA cannot be determined with certainty.

This analysis reveals a statistical significance of board size and board independence in relation to ROA. The coefficient for board size is 0.03, $p = 0.011$, which implies that one extra unit of BOARDS is associated with an increase of 0.03 in the dependent variable, company performance. The coefficient for board independence is 0.02, $p = 0.01$, which indicates that a one-unit increase in BOARDI causes the dependent variable, company performance, to grow by 0.02. Therefore, an organization should have an optimal board size and sufficient independent directors to boost the company's profits.

However, with a p-value of 0.18, the ownership structure (OWNST) variable has a positive coefficient of 0.02 and therefore lacks statistical significance at the conventional levels in relation to ROA. But based on these results alone, it is not clear whether concentrated ownership impacts ROA or not.

The presence of an audit committee (AUDC) and board gender diversity (BOARDGD) both show significant positive relationships with ROA. With AUDC having a coefficient of 0.02 (p-value = 0.035), this implies that one unit increment in the audit committee variable increases ROA by about .02. Similarly, BOARDGD has a coefficient of 0.02 (p-value = 0.029) suggesting that for every increase of one-unit increase in board gender diversity translates to an increase in profitability by .02 units on average during the period under review. The conclusions from this study indicate that strong auditing system and increased women representation in top corporate governance positions hold keys improving ROA.

Moreover, CORPG has a positive coefficient of 0.01, with a p-value of 0.052 which indicates weakly significant relationship between corporate governance practices and ROA since it exceeds the threshold limit set at ten percent level. However, according to other indicators this impact is weaker than some others suggesting good corporate governance practices can positively impact company's performance.

Discussion of Results

The financial performance of listed commercial banks in Ghana has long been a subject of great interest when it comes to the influence exerted on it by corporate governance, especially considering the recent challenges faced by this sector. The objective pursued by this study was to assess how different corporate governance variables of such banks relate with their financial performance measured in terms of ROA and ROE.

The analysis showed that board size (BOARDS) has a significant positive influence on ROA statistically with the coefficient of 0.03 and p-value of 0.011. This agrees with Adusei (2011) and Bokpin (2010), who found out that there is a positive relationship between bank efficiency and board size in Ghanaian context. It means that a larger board can bring about more knowledge sets and perspectives to improve the bank's financial performance. Therefore, we fail to accept null hypothesis H1_0 but affirm alternative hypothesis H1_1 that shows how Ghanaian banks' ROA is affected by BOARD SIZE significantly.

However, the analysis didn't find any significant relationship between board size and ROE with a coefficient of -0.0486872 and p-value of 0.362. The above results are in line with mixed findings as shown by Makailu & Garba (2005) and Bokpin (2010) that larger boards may have different effects on profitability measures such as ROEs. As a result, we fail to reject H2_0 (the null hypothesis), implying that board size is not significantly affecting ROE of Ghanaian banks.

Board independence (BOARDI) was a significant contributor to both ROA and ROE, with coefficients of 0.02 (p-value = 0.01) and 0.2046872 (p-value = 0.009), respectively. These results are in line with Kyereboah-Coleman's work (2007) and Kyereboah-Coleman's and Biekpe, (2006a) which emphasized that board independence enhances company performance in Africa. From these findings, it is indicated that having independent directors on the board can help improve bank profitability by promoting efficient monitoring as well as decision-making processes. This means we reject null hypotheses H3_0 and H4_0 while accepting alternative hypothesis H3_1 and H4_1; hence concluding that board independence greatly impacts on ROA and ROE of Ghanaian banks.

The OWNST variable has a statistically significant positive effect on ROE with 0.2145353 as a coefficient and 0.007 as p-value. This finding is consistent with Papanikolaou and Patsi's (2009) findings which found that higher concentrations of insider ownership can have a small positive impact on bank returns. For this reason, the result implies that concentrated ownership might help shareholders' and managers' interests getting better alignment and financial performance improves too. As such, we reject the null hypothesis H6_0 while accepting the alternative hypothesis H6_1 thus concluding that ownership structure significantly affects ROE in Ghanaian banks. Nevertheless, no statistically significant relationship was identified between ownership structure and ROA as indicated by the positive coefficient of 0.02 and p-value of 0.18. Thus, we fail to reject the null hypothesis H5_0 hence concluding that there is no significant effect of ownership structure on ROA for Ghana's banks.

The capital adequacy ratio (CALR) showed a significant and positive relationship with ROE, having a coefficient of 0.1753428 and p-value of 0.038. This indicates the importance of maintaining strong capital base in enhancing banks' profit as it acts as a cushion against financial shocks and supports lending activities. As such, we reject the null hypothesis H8_0 and accept alternative hypothesis H8_1 concluding that capital adequacy ratio has a significant effect on ROE of Ghanaian banks. However, analysis indicated no statistically significant relationship between CAR and ROA since its coefficient is positive at 0.25 while the p-value is 0.162. Thus, we fail to reject the null hypothesis H7_0 and conclude that capital adequacy ratio has no significant effect on ROA of Ghanaian banks.

The relevance of an audit committee (AUDC) exhibits a statistically significant positive effect on both ROA and ROE with coefficients of 0.02 (p-value=0.035) and 0.1302168 (p-value = 0.04). These results show how important it is for a bank's financial performance to have well-functioning audit processes that ensure accurate financial statements are produced and

regulatory norms are adhered to. Thus, we reject the null hypotheses H9_0 and H10_0, accepting the alternative hypotheses H9_1 and H10_1, thereby concluding that audit committee effectiveness significantly impacts on both ROA and ROE of Ghanaian banks.

The research study aims to solve the intricate relationships between corporate governance mechanisms and banks' financial performance as measured by Return on Assets (ROA) and Return on Equity (ROE). The study therefore determines how these factors impact financial indicators that are Capital Adequacy Ratio (CAR), Board Size, Board Independence, Ownership Structure, Audit Committee, Board Gender Diversity and overall Corporate Governance. These variables were chosen as they have an effect on a bank's financial wellbeing which is represented by the given financial performance measures.

The overall corporate governance (CORPG) score was found to have a significant positive impact on ROE. It is evident from the coefficient of 0.2029394 and p-value of 0.002, that stronger practices imply enhanced financial performance as demonstrated by ROE. As such, the null hypothesis H14_0 is rejected whereas alternative H14_1 is accepted. This goes to show that overall corporate governance has a noticeable effect on Ghanaian banks' ROE. Surprisingly though, only a marginally significant positive relationship was found between CORPG scores and ROA. With a coefficient of 0.01 and p-value at 0.052, these numbers aren't quite as impressive as they were for ROE, but still suggest that stronger corporate governance could lead to better bank profitability. These results have caused us to reject the null hypothesis H13_0 while accepting the alternative H13_1, ending with our conclusion that overall corporate governance score has a significant effect on ROA of Ghanaian banks.

5. Conclusion

In conclusion, this analysis offers useful findings on corporate governance and its relationship with financial performance of listed commercial banks in Ghana. The findings of the analysis indicate that board size, board independence, audit committee efficiency and Board gender diversity all have positive impacts on ROA. Again, ownership structure, capital adequacy ratio, audit committee effectiveness and combined corporate governance score all influence Return on Equity (ROE) positively. Intriguingly, gender diversity among the members of the board has a negative correlation with ROE. These results demonstrate the need for sound corporate governance practices such as having the right number of directors on the board, increasing their independence from management; ensuring efficient and effective audit functions; promoting gender equity; to improve banks' profitability and competitiveness. Additionally, focus should be given to strong capital base and ownership which would lead better financial results. Policymakers/regulators as well as bank executives may find these research results helpful in enhancing or updating existing corporate governance frameworks aimed at achieving stability and growth in banking sector.

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Impact of Quality Service Delivery Challenges on Customer Satisfaction in the Banking Industry: A Case of Stanbic Bank, Zambia

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Abstract

Since Zambia's 1991 economic liberalization, there has been notable growth in the retail banking sector. Quality search is perhaps the most critical consumer trend in recent years because consumers are now more demanding than ever. Customers have diverse options in an era of rapid global change, often relying on brand names for complex financial services. Hence, it becomes imperative to delve into the challenges surrounding quality service delivery and customer satisfaction. A mixed methods approach was adopted, and involved 340 bank customers who attended a questionnaire and 20 customers and bank staff who participated in in-depth interviews. The study found that the majority (43.8%) of customers were generally satisfied with the services at the bank. The study also found that tangibility and assurance were the service quality dimensions that highly influenced customer satisfaction perception at Stanbic Bank. Tangibility had a positive influence on customer satisfaction ($\beta=0.153$), and a p-value (0.028) less than the selected level of significance (0.05), an indication of the influence of tangibility on customer satisfaction. The study concluded that customer satisfaction and loyalty depended on the quality of services the bank provided. At the same time, the study's practical implications suggest that the bank should focus on improving reliability, responsiveness, and empathy to enhance customer satisfaction.

Keywords: Competition, Service Quality, Customer Satisfaction, Responsiveness and Bank

JEL Classification: D12, G21, L84, M31, O33

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1. Introduction

Given the increasing competition, banks are currently facing enormous challenges that make it increasingly difficult to survive (Yuan et al. 2022). This was also long suggested by (Kheng et al., 2010) who posited that intense competition, the sophisticated nature of customers, flexible and unpredictable demand and similarity of services offered by banks, and enhanced service quality to satisfy customers is regarded as the main concern to retain loyal customers. For financial services providers to survive and be successful, it is critical that the current environment is aligned with new management practices that ensure customer satisfaction and improve business performance. However, service quality issues have long been neglected in developing economies when compared to the information available about developed economies (Munusamy, Chelliah & Mun, 2010). In order to draw in and keep customers, (Asumbonteng et al., 1996), long suggested that businesses operating in the same market sector must evaluate the quality of the services they offer. More recently, Komunda and Osarenkhoe suggested that when service failures or customer complaints do occur, how banks handle these situations can significantly impact customer satisfaction. Banks may need to assess their service recovery processes to ensure that they are effective in addressing customer complaints and resolving issues. Building an emotional connection with customers can be a challenge in the banking industry, thus banks need to assess how they can create a more personalized and empathetic customer experience that builds trust and loyalty (Komunda and Osarenkhoe 2012).

The construct of service was coined in the 1980s by Churchill and Suprenant (1982) together with Asumbonteng et al., (1996), who popularized the customer satisfaction theory by measuring the firm's actual service delivery in conformity with the expectations of customers, as defined by the attainment of perceived quality, and that is meeting the customers' wants and needs beyond their aspirations. Armstrong et al., (1997) later expanded the concept of service into the five dimensions of service quality that comprised tangibles, reliability, responsiveness, assurance, and empathy. Parasuraman et al. (1988), developed a conceptual model of service quality where they identified five gaps that could impact the consumer's evaluation of service quality in four different industries (retail banking, credit card, securities brokerage, and product repair and maintenance).

Research has repeatedly shown that service quality influences organizational outcome such as performance superiority (Obanaya, 2019) increasing sales profit (Annan, 2020) and market share (Fisher, 2001), improves customer relations, enhances corporate image and promotes customer loyalty (Ehigie, 2006). However, most studies on service quality and customer satisfaction have been conducted in industrialized economies such as the United States (Adams, et al. 2004), the United Kingdom (Chatura & Andy, 2003), and Pakistan (Basharat, & Zoune, 2011).

In recent years, there has been a lot of scholarly focus on the connection between consumer satisfaction and service quality. For example, a study on customer experience monitoring in Zambian banks by Simwanza and Owolusi (2020), found that quality of service provided and customer satisfaction are important when monitoring the experience of customers based on the effects of quality of service and customer loyalty and their returns thereafter. While this study was important in highlighting the importance of the constructs of interest in the current study, it did not add a bank perspective on the impact the dimensions had as well as highlight the specific service quality dimensions. Sichinsambwe et al. (2017) sought to determine the relationship between service quality and the resultant customer satisfaction for both foreign

and local banks in Zambia. They found that the mean expectations of the five dimensions of service quality are higher than the mean perception thereby indicating that in general customers of both local and foreign banks are not satisfied with the service being offered by the banks. While a connection has been established in previous studies, it remains unclear the impact of these parameters on the bank and its positioning in the competitive business environment.

In the current competitive Zambian banking context, customers have grown savvier and are changing businesses as a result of globalization and technological innovation similar to the assertion in a study by (Timmermann, 2018). In the case of Stanbic Bank, one of the leading banks in Zambia, quality service delivery is a growing concern. In 2022, the Competition and Consumer Protection Commission saw an increase in the number of poorly executed services (unsuitable services) mostly in the banking and financial services sector which accounted for 64.47% of the two thousand four hundred and twelve (2,412) violated provisions recorded (CCPC performance update 2023). Several factors were identified as negatively influencing the customer and could be categorized as service quality perception, employee attitudes, accessibility, service recovery, and emotional connections. Even though Stanbic Bank holds a prominent banking position in the country, it is not exempt from these challenges and the impact of leaving the situation unaddressed.

While a study was done on the effect of online banking on customer satisfaction at Stanbic Bank (Sambaombe and Phiri, 2022), there hasn't been a study specifically analyzing the impact of service quality delivery challenges on customer satisfaction at Stanbic Bank. The perceived future of banking is that banks can realign to compete in new arenas, organized around distinct customer needs. These arenas would expand far beyond the current definition of financial services, and they would also be hotly contested by a wide range of tech giants, tech start-ups, and other nonbanks (Ulrich-Diener, et al. 2023).

2. Literature Review

2.1. Measures of Service Quality

Researchers have, over the years, used several components to measure service quality. For example, an early study by Parasuraman et al. (1991) came up with ten dimensions of service quality that include access, communication, competence, credibility, courtesy, security, tangibles, responsiveness, reliability, and understanding the customer. Sangjae and Kun (2020) put forth six different dimensions of service quality which involve: ease of use, usefulness, reliability, system security, empathy, and responsiveness. However, in recent times most scholars have made use of five major components to stand as the dimension for service quality including reliability, responsiveness, assurance, empathy, and tangibles. Gogoi and Jyoti (2020) elaborated on the use of SERVQUAL (service quality), developed using both qualitative and quantitative research by Parasuraman et al. (1985, 1988, and 1994) to measure service quality. SERVQUAL identifies service gaps and measures strengths and weaknesses in service delivery using five dimensions of service quality to access the level of service quality along each dimension. These measures are;

- i. Tangibility measures the appearance of physical facilities, equipment, personnel, and communication materials,
- ii. Reliability measures the staff ability to perform the promised service dependably and accurately,

- iii. Responsiveness measures the willingness of the staff to help customers and provide prompt service when needed by the customers,
- iv. Assurance is the measure of knowledge and courtesy of employees and their ability to convey trust and confidence in the personal information that has to do with the customer, while,
- v. Empathy measures the care, and individualized attention the firm provides its customers.

2.2. Service Quality and Customer Satisfaction

Service quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market. Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson et al., 2008).

The relationship between service quality and customer satisfaction is becoming crucial with the increased level of awareness among bank customers. Demographic characteristics should be considered by bank managers to understand their customers (Sureshchander et al. 2002). Considering the aforementioned, the importance of delivering quality services that meet customer satisfaction cannot be overemphasized, especially in a competitive market. Research has shown that customer satisfaction leads to increased customer loyalty, profitability, and a positive public image, while poor service quality leads to customer loss, negative word of mouth, and other associated costs. For marketers or service providers, achieving customer satisfaction is important because it is supposed to be an important motive of customer loyalty, repeated business (with customers), and positive word of mouth (Kaura et al. 2012). The relationship between service quality and customer satisfaction is critical for the success and survival of businesses in today's market. Therefore, it may be essential for businesses like Stanbic bank to prioritize service quality improvement issues to drive high levels of customer satisfaction and retain their markets.

2.3 Customer Satisfaction on Customer Loyalty and Retention

For organizations to ensure that there is customer loyalty, organizations must be able to anticipate the needs of their customers (Khan & Fasih 2014). Monson (2021), suggested that a customer's interest in maintaining a loyal relationship depended on the firm's ability to anticipate customers' future needs and offer them before anyone else does. Stanbic Bank could benefit by concentrating on fostering client loyalty through outstanding service delivery and anticipating customer wants, according to the study that has been provided. It is crucial to remember that although client happiness is required, it does not guarantee loyalty. Organizations must also be able to anticipate customer needs and offer solutions before competitors. By doing so, Stanbic Bank could create a sustainable competitive advantage and increase customer loyalty, ultimately leading to long-term success.

3. Research methods

3.1 Research Design

This is because mixed methods research combines the strengths of both quantitative and qualitative research methods to provide a more complete and comprehensive understanding of the research problem. Kirshenblatt-Gimblett (2006) argues that mixed methods research provides a more comprehensive understanding of the research problem than using either method alone. This is because mixed methods research allows researchers to use the strengths of both quantitative and qualitative methods, while minimizing their weaknesses. The study used a sequential exploratory design, which involves collecting and analyzing qualitative data first, followed by collecting and analyzing quantitative data. Saunders et al. (2019) argue that mixed methods research is particularly useful when a single research method cannot answer all the research questions satisfactorily.

The quantitative phase of the study involved collecting data through a questionnaire, which we initially administered to a sample of 397 participants. The data was analyzed using statistical methods, such as descriptive statistics, correlations, and regression analysis, to identify patterns and trends. The qualitative phase of the study involved conducting in-depth interviews with a sub-sample of participants (n=20). The data collected from the interviews was analyzed using thematic analysis to identify themes and patterns in participants' attitudes and behavior towards the research problem.

3.2 Participants

In this study, the population involved all categories of customers- retail, private/ executive, and Corporate at Stanbic Bank. As Creswell (2014) explains, "A sample is a group of individuals, events, or settings that are selected from the population for study". Stanbic Bank had a population of about 49,000 in Lusaka only, which constituted the study population. This study used a sample of this population which was calculated using Yamane's 1967 simplified formula for calculating sample size $n = N / (1 + N(e)^2)$. Hence, a sample size of 397 possible respondents was drawn from the 49,000 customers and staff at Stanbic Bank in Lusaka. However, due to the response rate, we reduced the sample to 340 respondents as 15 questionnaires were incomplete and 42 questionnaires were not filled. Further, we redeemed the sample size by purposively interviewing customers who did not participate in the questionnaire.

The sampling technique employed in this research is non-probability sampling particularly convenience and purposive sampling. A convenience sample is a sample where the customers are selected, at the convenience of the researcher. We only made a limited attempt to ensure that this sample is an accurate representation of some larger group or population. Convenience sampling was used in this case because; the customers did not come to the bank in any order. Customers move at any time and since the researcher was only in the bank at certain hours of the day, it was best to use convenience sampling in order to get as many customers as possible.

Then, purposive sampling was used to get almost all of them that satisfied the inclusion criteria. In this case, the study targeted Stanbic bank customers from different branches in Lusaka and purposely those that were above 18 years of age and had been banking with Stanbic for more than 3 years for purposes of consent and having tangible experience with bank services. Further, we concentrated on bank staff that directly relate to customers and could influence the customer's perception of the bank.

3.3 Data Collection

The instruments employed in the study were questionnaires and interviews. The questionnaire was adopted from the literature and modified to fit the current study. The questionnaire was

administered to consumers of Stanbic Bank Zambia to ascertain the effect of service quality on customer satisfaction in the banking industry. The instrument was in two sections (demographic profile of respondents and rating of service quality dimensions of Stanbic Bank Zambia). The questionnaire included a collection of data regarding the demographic profile of respondents in respect of their age, gender, and the number of years of doing business with Stanbic Bank Zambia. It also included rated service quality dimensions of Stanbic Bank Zambia. The items were measured using a Likert scale in a five-response pattern with 1=strongly agree to disagree 5=strongly.

Semi-structured interviews were conducted with the customers at Stanbic Bank from different branches regarding service delivery and customer satisfaction. The rationale of the interviews with the customers was an in-depth understanding, opinions, and views pertaining to their experiences with regard to service quality at Stanbic Bank. Semi-structured interview guides were used for this purpose. According to Apuke (2017), researchers across the sphere contended that interviews are the best way to collect data because they help the researcher establish feelings, opinions, attitudes, and views and are useful in gathering in-depth data. The interview included a collection of data regarding customer experience, service improvement, customer feedback and perception and suggestions of improvement.

3.4 Data Analysis

Descriptive analysis was used in the study and it provided the researcher with profiles of the study population. In this case, data quality control and cleaning commenced in the field by the researchers, ensuring that all the information on the questionnaires had been properly collected, recorded, and checked for completeness of data and internal consistency. Data analysis was done after all data captured was entered. Quantitative data were analyzed using nominal scales into mutually exclusive categories and frequencies using descriptive statistics. Qualitative data were analyzed using conceptual content analysis. The analysis involved producing and interpreting frequencies, counts, tables, and graphs that described and summarized the data. ANOVA and Pearson's correlation coefficient were used to examine the relation between the independent variables of the respondents. We further triangulated the responses from key informants to analyze and determine common themes emerging from their responses; looking at the number of key informants, the themes that more than two informants held were considered for a frequency count and further presented as verbatims in this study.

4. Results and Discussion

4.1 Customer Satisfaction with Stanbic Bank Services

The researcher sought to understand the perceptions regarding the quality of services provided by Stanbic Bank Zambia in Lusaka Branches as held by its customers. This was a key indicator upon which all other variables were benchmarked in terms of their impact.

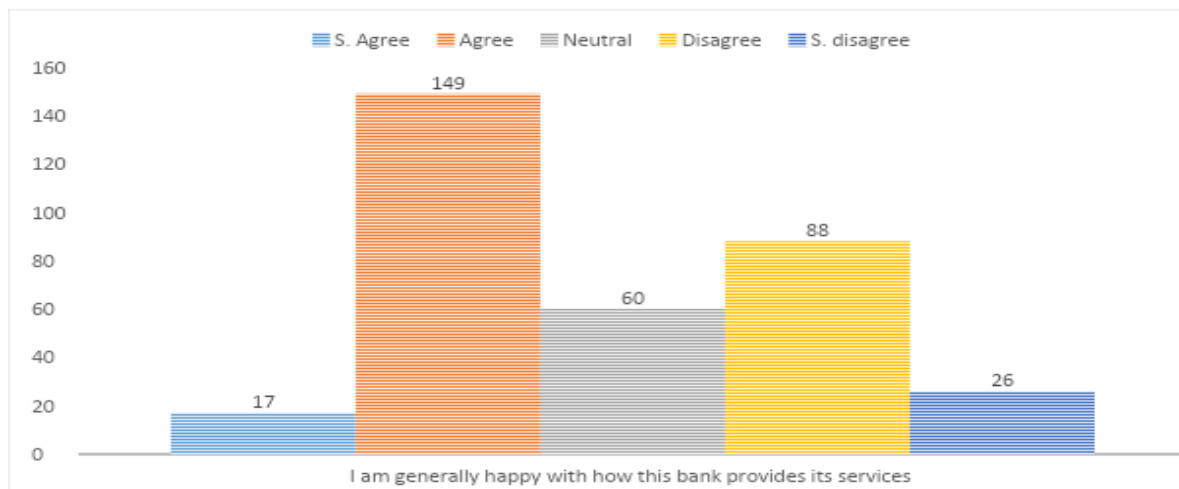


Figure 1: Customer Satisfaction with the Quality of Services at Stanbic Bank

Fig. 1 shows that the majority, 43.8% (149 of the customer's respondents), agreed to the statement "I am generally happy with this bank (Stanbic Bank Zambia) providing its services". While this was the case, 171 respondents (aggregate) were either neutral or disagreed with this statement. This phenomenon was of interest to the customer and when interviewed some of the customers expressed concerns over the responsiveness of the bank particularly the number of days it took the bank to respond to the queries raised by customers.

Well for me, the bank is just okay, but the biggest problem I have is the length of time they take to respond if you have a query. Other things I think are just like other banks so I can't say much (male Customer).

The bank keeps asking for letters whenever you have a complaint and it takes time to have the issue resolved (Female Customer).

With these findings, the researcher established that customers were generally satisfied with the services they accessed in their respective locations thus answering question one which asked "What is the level of customer satisfaction with the quality of services at Stanbic Bank Zambia in Lusaka?". The level of satisfaction was above average. With this in mind, the researcher went on to establish what specific service quality dimensions affected the perception of customer satisfaction.

4.1.1 Customers' Experience with the Bank Physical State (Tangibility)

The researcher assessed the customer's perception of the quality of services based on their experience with the physical state of the bank.

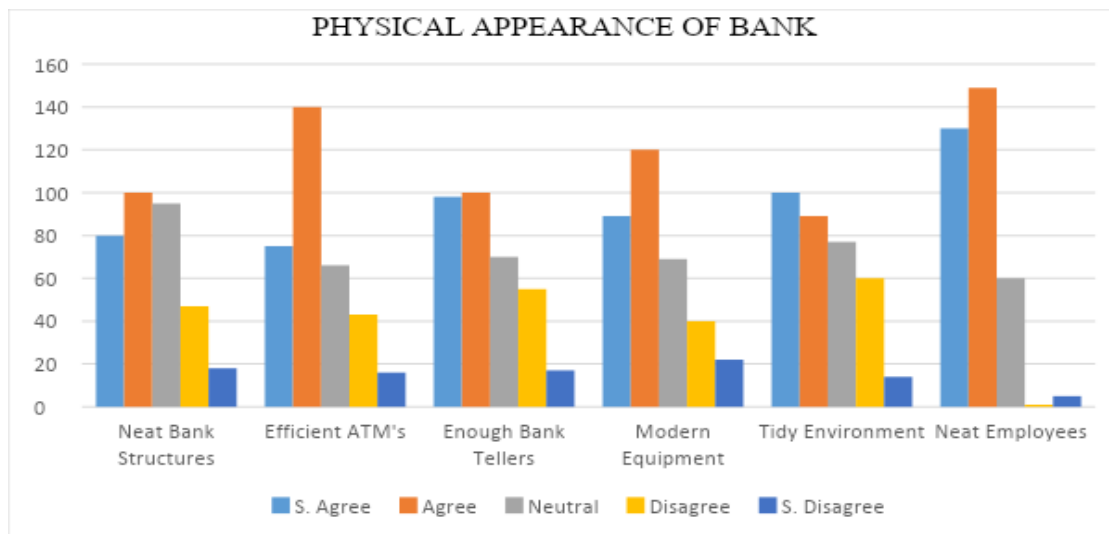


Figure 2: Bank and Employee Appearance

Fig. 2 presents the customer's perception of the bank's and its employees' physical appearance and how they perceive that it affects their satisfaction and loyalty. The findings reveal that 88.6 % of the respondents agreed that employees and the structure of Stanbic Bank were neat and were a significant part of customer satisfaction. They further expressed their gladness at how modern the bank structures were. However, 66.7% of the respondents expressed dissatisfaction with the performance of the ATMs and the number of tellers that the bank had, while 70% of the respondents had a neutral stance on this subject. It was therefore asserted that not only does the attitude of bank employees affect customer satisfaction at Stanbic, but so does the appearance of the bank and employees and the functioning of ATMs.

4.1.2 Customer Satisfaction with Reliability of Stanbic Employees

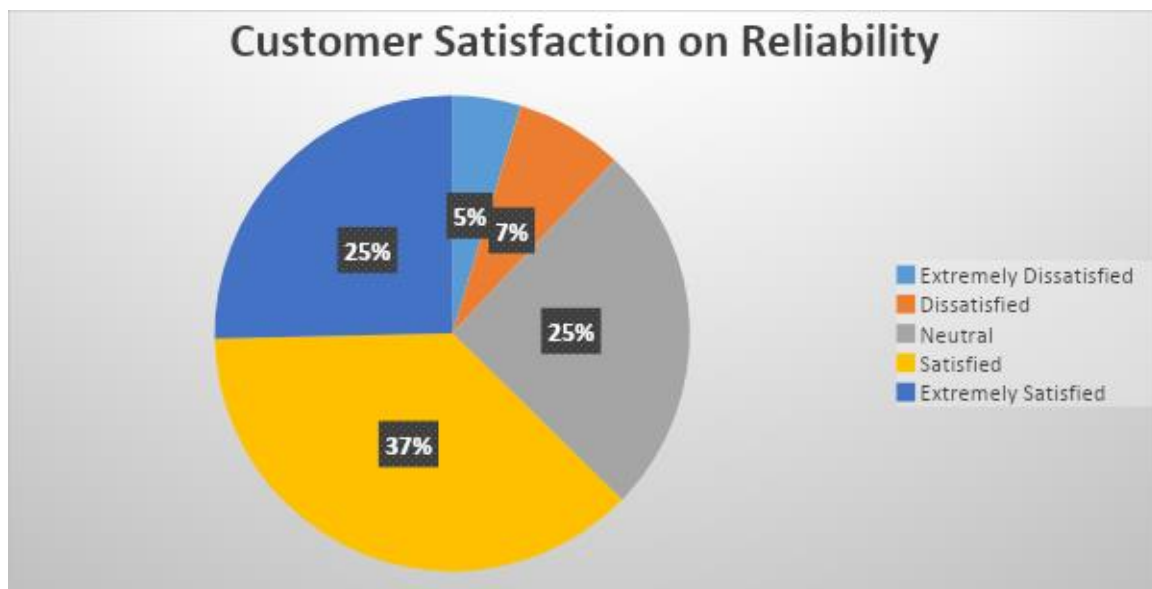


Figure 3: Customer Satisfaction with Employee Reliability at Stanbic Bank

As displayed by the results in the chart above, 25% of the research respondents were extremely satisfied with the employee reliability at Stanbic Bank. In like manner, though in less strength,

38% of respondents expressed satisfaction, while 25% have a neutral stance on their satisfaction with the Stanbic Quality of services. On the other hand, 7% of the respondents and 5% of the respondents displayed dissatisfaction with employee reliability, ultimately affecting the quality of services received.

4.1.3 Responsiveness and Assurance to Customers

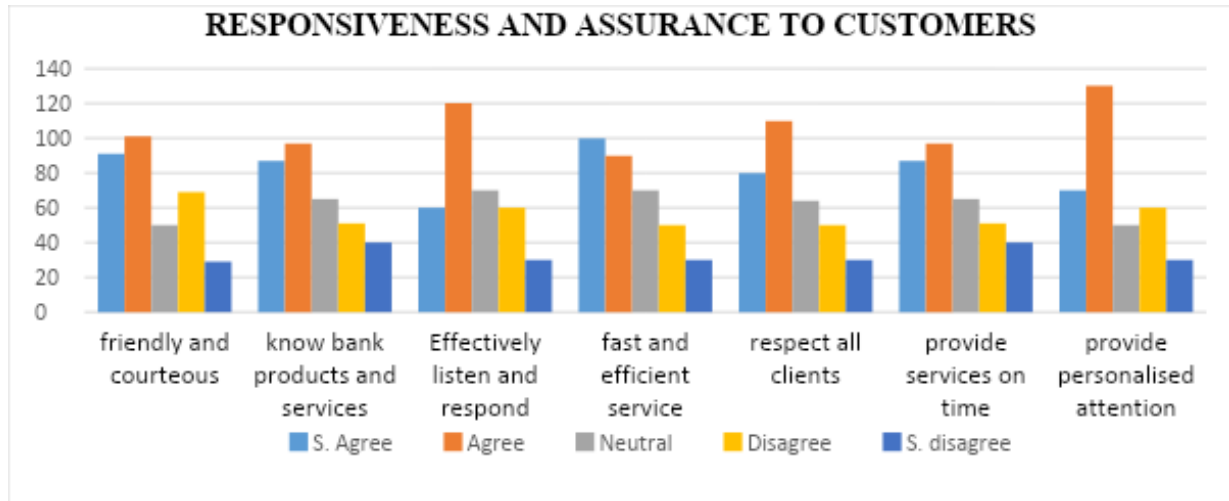


Figure 4: Promptness and Confidence at Stanbic Bank

The knowledge and courtesy of employees and their ability to inspire trust and confidence is so important in customer service. Figure 4 presents descriptive statistics on how the respondents regarded various elements of bank customer service. The findings reveal that 89.6 % of the respondents agree that, indeed, employees of Stanbic Bank would tell customers exactly when services were performed, provide personalized services, and are friendly and courteous. Additionally, 17.6 % of the respondents agreed that employees of Stanbic Bank provided prompt service to customers. In the same regard, 93.5 % of the respondents agreed that, indeed, employees of Stanbic Bank have knowledge and understanding of all the products and services that they offer.

On the other hand, 23.5 % of the respondents agreed that employees of Stanbic Bank were never too busy to respond to customers' requests. It was also revealed that 97.8 % of the respondents agreed that Stanbic Bank employees would inform customers about any changes in their services. Finally, it was revealed that 97.8 % of the respondents agreed that, indeed, employees of Stanbic banks would recommend appropriate products or services to customers.

4.1.4 Empathy of Employees

In assessing customer satisfaction, the researcher proceeded to assess if the customers were satisfied enough with the empathy of the Stanbic employees. The results are presented in the Figure below.

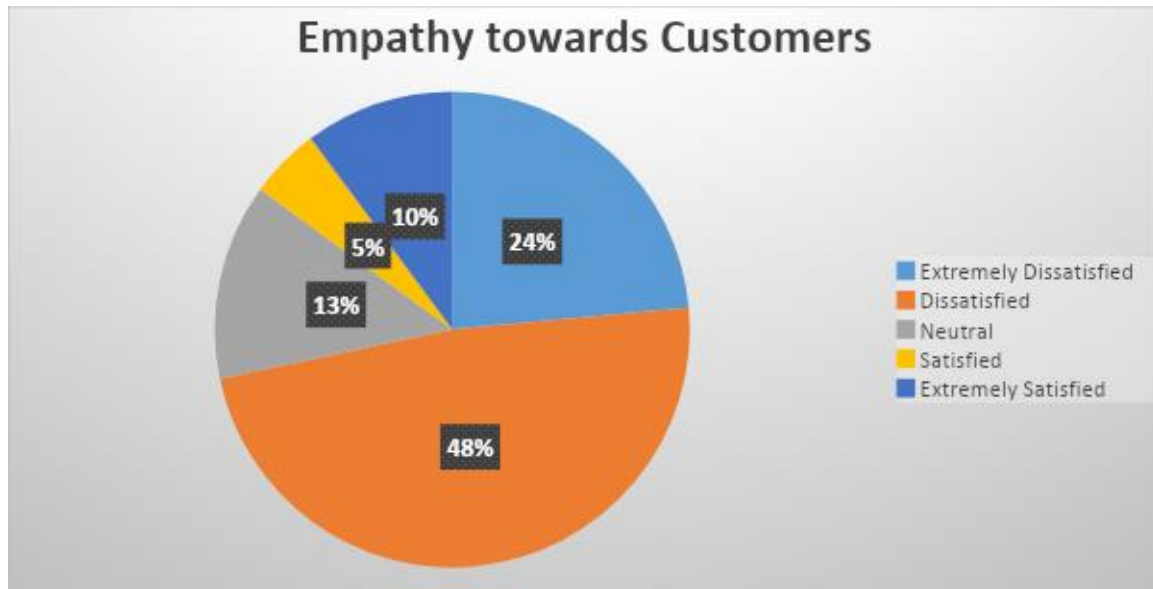


Figure 5: Empathy Towards Customers

Fig. 5 shows in the chart above that 48% of the research respondents are extremely satisfied with the current customer service provided by Stanbic Bank. 24% are generally satisfied, whereas 13% have a neutral view of their empathy for the services provided by Stanbic Bank. Lastly, 10% and 5%, respectively, displayed dissatisfaction with empathy from the quality of services received.

Lastly, factor analysis was essentially developed to investigate the determining factors and most important dimensions that customers consider while transacting with Stanbic Bank.

4.2 Quality Service on Customer Satisfaction

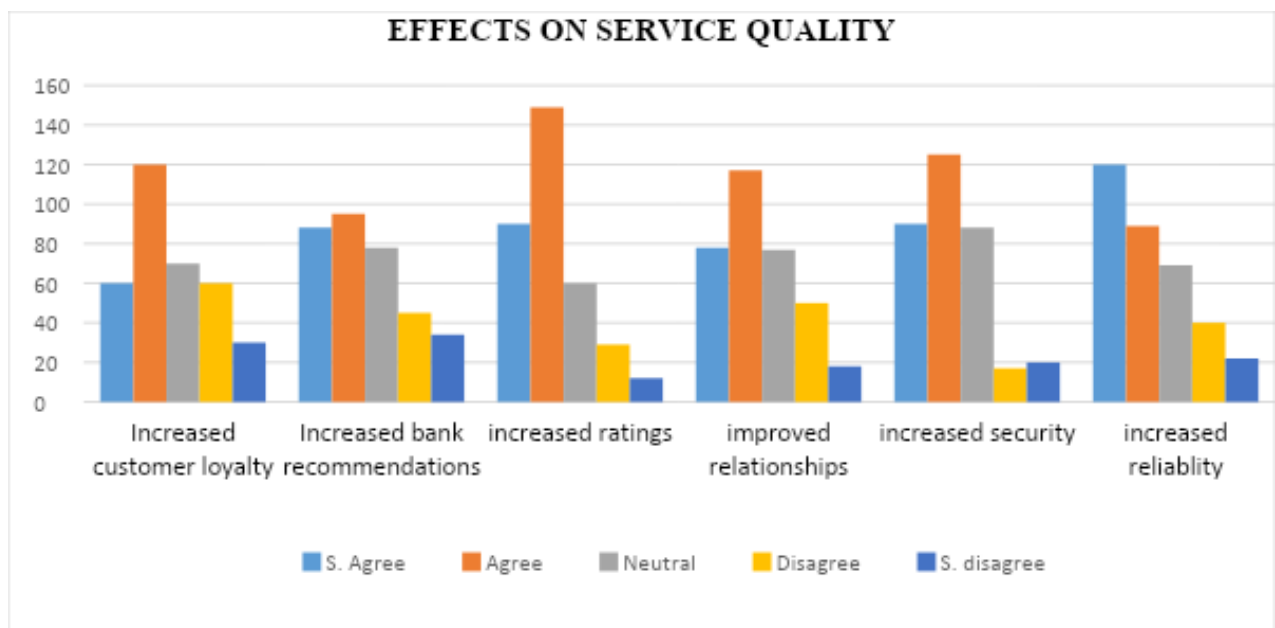


Figure 6: Quality Service to Customer Satisfaction

Fig. 6 shows that 94.6% of the respondents agree that indeed customer satisfaction would bring about increased ratings and bank recommendations. Additionally, 15.4 % of the respondents agreed that customers of Stanbic Bank may have improved relationships with the bank based on the satisfaction attained. In the same regard, 97.8% of the respondents agreed that indeed customers of Stanbic Bank would have increased security depending on the level of satisfaction that the bank offers. On the other hand, 15.4 % of the respondents agreed that indeed customers of Stanbic Bank would have increased reliability in the bank if the customers were satisfied.

To fully explore this objective an interview was conducted where customers were asked about their working relationships with Stanbic Bank staff about service delivery. The majority of respondents said they get along well with Stanbic staff members. Over time, this connection had grown and had helped to establish trust between Stanbic and its clients. One respondent confirmed that;

I have come to develop trust with the staff of Stanbic to do their job diligently and provide me with good advice on banking-related matters (female Customer)

This was also supported by another respondent who stated that he trusts Stanbic staff, and that they delivered services in a consistent and ethical manner. The trust shared between Stanbic staff and its customers is two-sided. Some staff interviewed indicated that they were comfortable with named customers

Personally, I have been relating well with a number of customers and we actually share quite a number of ideas. For example, Mr. X (name withheld) likes encouraging me to invest in a farm whenever he comes to make deposits. Intern I also advise him on products that could benefit him unlike just keeping the money in the bank (Female Banker).

Some of the respondents offered a different opinion about the level of trust they have of Stanbic, indicating that not every taxpayer is confident in the service delivery of Stanbic. This notion was confirmed by a respondent who stated that

I don't trust the way Stanbic employees handle cheque payments, and the way they handle our complaint, overdrafts, advancing of loans, it's like they are some things they don't want us to know (Male Customer)

The dimensions of quality services that were observed at Stanbic Bank were relatively of good service quality although there was still need to improve on empathy, reliability, and responsiveness for the bank to effectively achieve greater customer satisfaction.

4.3 Impact of Customer Service Delivery on Customer Loyalty

This section provides the views of respondents on specific issues pertaining to customer service delivery and its impact on customer loyalty. To begin the analysis of this objective the respondents were asked if they believed that customer loyalty can be affected by customer service delivery, the results are shown in the figure below.

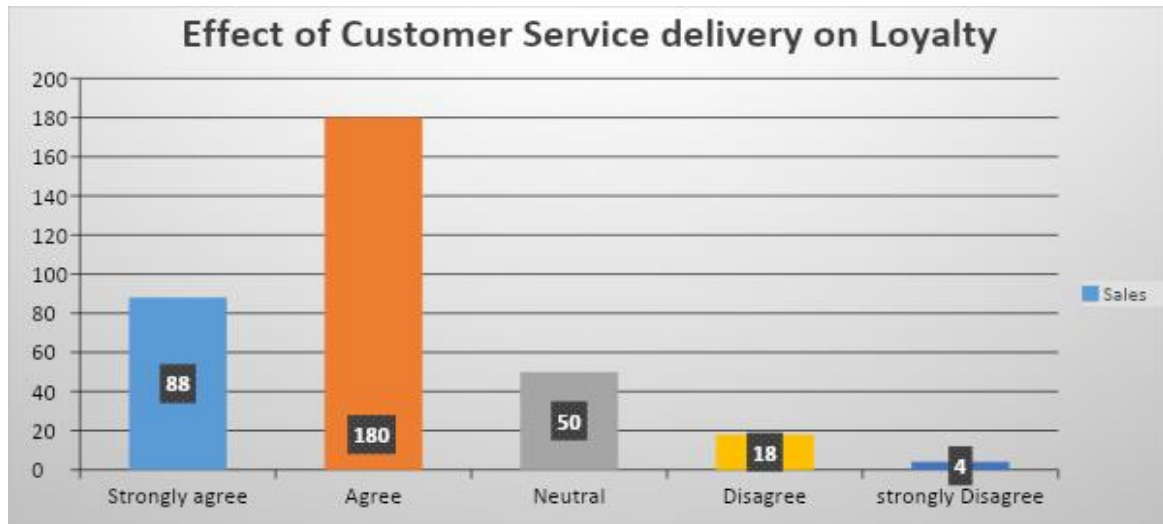


Figure 7: Effect of Customer Service Delivery on Customer Loyalty

The researcher further asked the respondents how customer satisfaction affects customer loyalty, the results are presented below:

In an interview, 88 respondents stated that the more satisfied customers are with the banking services, the more they trust the bank with more services. They mentioned that they cannot trust the bank with a savings account if their regular account is consistently faulty. Therefore, the more satisfaction from one service, the more trustworthy and reliable the bank becomes.

Also, it was noted from another set of interviews that satisfied clients tend to become confident in the bank and the services it provides and hence recommend its services to family, friends and colleagues. This is a sign of loyalty because they are growing a brand they believe in.

Lastly, the respondents echoed that the only way to keep coming to a bank for its services is if the services please the end user; therefore, the relationship between customer satisfaction and loyalty depends on the satisfaction levels and the means of service delivery.

The respondents were further asked to identify the gaps in customer service delivery that could affect customer loyalty, and the response was as follows;

4.5 Gaps in Customer Service Delivery

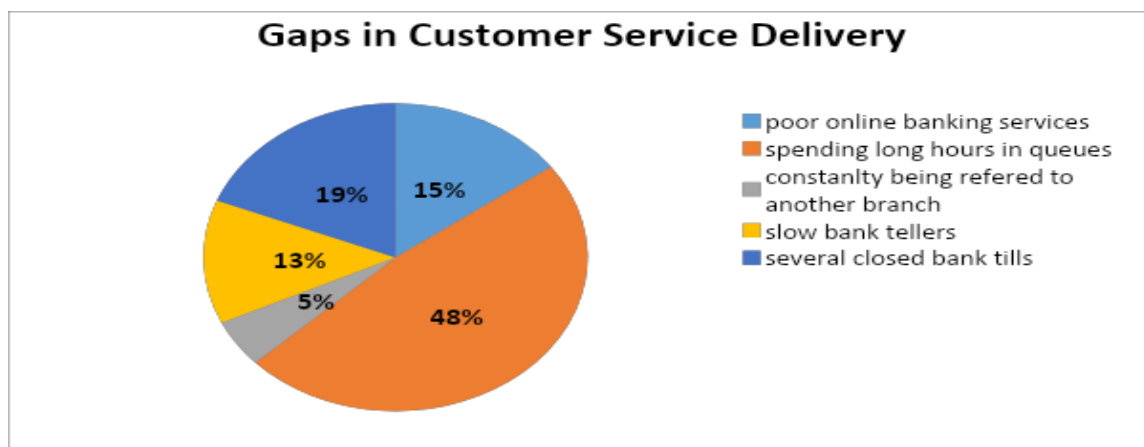


Figure 8: Gaps in Customer Service Delivery

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The results above, it shows that most (48%) of the respondents have identified standing long hours in queues as one of the biggest gaps in service delivery and a great challenge to customer loyalty. Other variables mentioned include several closed banking tills represented by (19%). In an interview, one of the respondents said,

It is a serious inconvenience to walk into a bank with 5-7 tills and only 3 tills are working and then from the 3, 2 of the tellers keep leaving the till, this is what actually causes the unnecessary long queues and delays (male customer).

The respondents also mention that slow bank tellers (13%) and poor online banking services (15%) are some of the service delivery gaps that affect customer loyalty.

Further in an interview, the respondents mentioned that the gaps affect customer loyalty to a great extent. One of the respondents stated that

I have considered moving from Stanbic several times because I don't like constantly waiting in line when I have a very demanding job and the online services are down" (Male Customer),

Another respondent commented and said,

The constant maintenance of Online banking made me stop using Stanbic for serious transactions and leave it for miscellaneous transactions only (Female Customer).

After reviewing the comments of the respondents, it was concluded that if not effectively handled customer service delivery has negatively impacted customer loyalty.

4.6 Service Delivery Strategies to Enhance Customer Satisfaction

This section provides the views of respondents on specific issues pertaining to strategies to improve the service delivery at Stanbic Bank. This is necessary to validate the response to question 3 and address objective 3 of this study.

Several strategies were revealed to be adopted by staff working in Stanbic Bank. Their suggestions were grouped into five categories of strategies as depicted in Table 1.

Table 1: Service Delivery Strategies

Variable	Frequency	Percentage
Encourage customer feedback	45	13.3
Empower employees to resolve issues	68	20.0
Practice active listening with customers	68	20.0
Underpin customer service strategy with data	45	13.3
Provide a rich learning environment for employees	113	33.3
Total	340	100.0

Customer feedback refers to customer information as to whether the product or service is acceptable or not and whether they have general experience with a Bank. As indicated in Table 9, 13.3% of the respondents referred to this strategy as effective for service quality delivery at Stanbic Bank. Workers could be helped to settle their own issues by knowing when to train and manage and asking the right questions. Based on Table 1, 20% of the respondents adopted this strategy to deliver service quality at Stanbic Bank. Active listening focuses on what is said, not just hearing the speaker's message in passive terms. It is an ability that is developed and learned in practice. Table 1 suggests that 20% of the respondents practice active listening with

customers as a strategy to deliver service quality at Stanbic Bank. Data allows a worker a better chance to understand who, when and where the best customers are. Results in Table 1 indicate that 13.3% of the respondents adopted this strategy for delivering service quality at Stanbic Bank. Employees should always learn to develop their communication skills, interpersonal relationships, technical know-how and time management skills, all to enhance the customer service sector. Table 1 shows that 33.3% leaned on this strategy to improve service quality delivery at Stanbic Bank.

Lastly, from the interviews, most respondents also stated changes they'd like to see in the services of the bank. These recommendations include:

Increase ATM's

Remain reliable to their customers if indeed they need to remain competitive in the market.

Innovate new ways of enhancing the way they respond to customer needs so as to avoid service breakdowns.

Consider empathy as one of the strong points in enhancing customer satisfaction.

Identify new incentives for long-serving customers.

4.6 Correlation Analysis

Pearson Product- Moment correlation coefficient was used to measure the strength and the direction of the linear relationship between variables. The Pearson correlation coefficient, r , can take a range of values from +1 to -1. The relationship was considered weak when $r = \pm 0.1$ to ± 0.29 , while the relationship was considered moderate when $r = \pm 0.3$ to ± 0.49 , and when $r = \pm 0.5$ and above, the relationship was considered strong. The table below presents the results obtained.

Table 2: Correlation coefficient matrix

	C S	T	R	R	A	E
Customer Satisfaction (CS)	1					
Tangibility (T)	.671**	1				
Reliability (R)	.624**	.513*	1			
Responsiveness (R)	.639**	.539**	.061	1		
Assurance (A)	.619**	.374**	.119	.565**	1	
Empathy (E)	.658**	.339**	.066	.640**	.266**	1

The findings showed a strong relationship between the dependent and the independent variables. The findings show that tangibility has a strong positive correlation with customer satisfaction ($r=0.671$, $p\text{-value}=0.003$); reliability and customer satisfaction are strongly and positively correlated ($r=0.624$, $p\text{-value}=0.000$); responsiveness had a strong positive relationship with customer satisfaction ($r=0.639$, $p\text{ value}=0.001$); assurance and customer satisfaction were positively and significantly related ($r=0.619$, $p\text{-value}=0.005$); and lastly, empathy had a strong positive correlation with customer satisfaction ($r=0.658$, $p\text{-value}=0.004$). These findings suggest that tangibility, reliability, responsiveness, assurance, and empathy are directly related to customer satisfaction in the banking service industry. This also indicates that these dimensions contribute to overall customer satisfaction. However, it is important to note that correlation does not imply causation. While variables are related, other factors could also contribute to customer satisfaction. Therefore, further analysis such as the regression model

was necessary to establish causal relationships and determine the relative importance of each dimension in driving customer satisfaction.

4.6.1. Analysis of Variation (ANOVA)

Analysis of variance was used to determine how fit the model developed was to the data. It tested the significance of the model. In this study, the significance of the model was tested at a 5% level of significance.

Table 3: ANOVA

Model	Sum of Squares	df	Mean Squares	F	Sig.
Regression	604.029	5	120.81	6.06	.000 ^b
Residual	3070.214	154	19.94		
Total	3674.243	159			

The findings from ANOVA analysis showed that the population parameters had a p-value of 0.000; an indication that the model was statistically significant. This suggests that the data was suitable for making conclusions on the population under investigation because the p-value was less than 0.05. The F critical, obtained from the f-distribution table (2.273) was less than F calculated (6.060). This shows that tangibility, reliability, responsiveness, assurance, and empathy significantly influence customer satisfaction at Stanbic Bank.

4.6.2. Coefficients of the Study Variable

Regression analysis was conducted to test the research hypotheses. Due to the fact that the sample size used for this study is not large, it is considered sufficient to apply the multiple regression analysis. As presented in the table below, the analysis proved statistically significant ($P < 0.001$) with the five service quality determinants explaining about 32% ($R^2 = 0.320$) of overall customer satisfaction.

The regression model was;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$$

Where; Y= Customer satisfaction, β_0 = constant (coefficient of intercept), X_1 = Tangibles; X_2 = Reliability; X_3 = Responsiveness; X_4 = Assurance; X_5 = Empathy; ε = error term;

Table 4: Regression Coefficients Results

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	1.730	0.197		8.782	0.000
Tangibility	0.153	0.038	0.176	4.026	0.028
Reliability	0.291	0.036	0.377	8.083	0.004
Responsiveness	0.140	0.029	0.107	4.828	0.030
Assurance	0.334	0.038	0.255	8.947	0.021
Empathy	0.520	0.055	0.492	9.455	0.002

a. **Dependent Variable:** customer satisfaction

From the findings, the following regression model was fitted;

$$Y = 1.730 + 0.153X_1 + 0.291X_2 + 0.140X_3 + 0.334X_4 + 0.520X_5,$$

The standardized coefficient (beta) allows us to compare the relative importance of the variables, Empathy seems to have the largest impact on the dependent variable, followed by reliability, assurance, tangibility, and responsiveness in decreasing order of importance. From the above equation, it is evident that when the variables; tangibility, reliability, responsiveness, assurance, and empathy are held to a constant zero, customer satisfaction has a constant value of 1.730.

The study also found that tangibility has a positive influence on customer satisfaction ($\beta=0.153$). The study also found that tangibility had a p-value (0.028) less than the selected level of significance (0.05), an indication that the influence of tangibility on customer satisfaction is significant. Therefore, tangibility could be said to have a positive significant influence on customer satisfaction such that, the more customers considered the branch tangible the more satisfied they were.

4.7. Discussions

4.7.1. Customer Satisfaction with Stanbic Bank Services

The study found that the majority 43.8% (149 of the customer's respondents) agreed with the statement "I am generally happy with this bank (Stanbic Bank Zambia) provides its services". While this was the case, 171 respondents (aggregate) were either neutral or disagreed with this statement. With these findings, the researcher established that customers were generally satisfied with the services they accessed in their respective locations, thus answering question one, which asked, "What is the level of customer satisfaction with the quality of services at Stanbic Bank Zambia in Lusaka?". The level of satisfaction was above average. With this in mind, the researcher established what specific service quality dimensions affected the perception of customer satisfaction. These results are consistent with previous studies in the literature. For example, Mkoma (2014) analyzed customer satisfaction with banking services: a case of a standard chartered bank in Tanzania Nonparametric results show that customers were satisfied with the quality and service time ($p < 0.01$); are loyal and hence unlikely to switch banks even if by doing so they could save about 10% ($p < 0.01$); and are unlikely to switch banks shortly despite easiness of switching ($p < 0.01$). Accuracy of service and welcoming attitude of staffers were not a strong source of customers' satisfaction with the bank ($p > 0.1$). Based on the findings of the study, it is recommended that Standard Chartered Bank should maintain the quality of financial services offered by the bank.

4.7.2. Customer Satisfaction and Service Quality Dimensions

The study found that 88.6 % of the respondents agreed that employees and the structure of Stanbic Bank were neat and were a significant part of customer satisfaction. They further expressed their gladness at how modern the bank structures were. However, 66.7% of the respondents expressed dissatisfaction with the performance of the ATMs and the number of tellers that the bank had, while 70% of the respondents had a neutral stance on this subject. It was therefore asserted that not only does the attitude of bank employees affect customer satisfaction at Stanbic, but so does the appearance of the bank and employees and the functioning of ATMs. The study also found that 94.6% of the respondents agree that indeed customer satisfaction would bring about increased ratings and bank recommendations. The dimensions of quality services that were observed at Stanbic Bank were relatively of good

service quality although there was still a need to improve on empathy, reliability, and responsiveness for the bank to effectively achieve greater customer satisfaction. Similarly, Sichinsambwe et al. (2017) sought to determine the relationship between service quality and the resultant customer satisfaction for both foreign and local banks in Zambia. They found that the mean expectations of the five dimensions of service quality are higher than the mean perception thereby indicating that in general customers of both local and foreign banks are not satisfied with the service being offered by the banks. Another study by Mulenga, (2019) assessed Service Quality and Customer Satisfaction levels in Railway Industries: A Case Study of Tanzania Zambia Railway Authority (Tazara) Passenger Train in Zambia. Their results indicated that truly there is a relationship between service quality and customer satisfaction. Personal interaction of customers with service staff, reliability of the railway, assurance, empathy, responsiveness, tangibles, management reaction towards accident clearance, and ticket refund as aspects of service quality greatly influence customer satisfaction.

A study by Mutinda et al. (2020) found that the major challenges faced by banks in Kenya include poor customer service, inadequate technology infrastructure, and long waiting times. The study found that customer satisfaction is closely linked to the quality of service delivery, and that poor service delivery can result in customers switching to competitors. In Nigeria, Obananya (2020) examined the linkage between service quality and customer loyalty in the commercial banking industry. Four dimensions of service quality were used that include assurance, responsiveness, tangibility, and reliability. In South Korea, Sangjae and Kun (2020), in their study, findings revealed that out of the six major measures used for service quality, system trust, usefulness, responsiveness, empathy, and ease of use stand as a major factor that determines the satisfaction of the VIP customers than that of the general customers.

4.7.3. Impact of Customer Service Delivery to Customer Loyalty

The study found that tangibility had a strong positive correlation with customer satisfaction ($r=0.671$, $p\text{-value}=0.003$); reliability and customer satisfaction was positively correlated ($r=0.624$, $p\text{-value}=0.000$); responsiveness had a strong positive relationship with customer satisfaction ($r=0.639$, $p\text{ value}=0.001$); assurance and customer satisfaction were positively related ($r=0.619$, $p\text{-value}=0.005$); and lastly, empathy had a strong positive correlation with customer satisfaction ($r=0.658$, $p\text{-value}=0.004$). These findings suggested that tangibility, reliability, responsiveness, assurance, and empathy all have a direct relationship with customer satisfaction in the banking service industry.

The study also found that tangibility positively influences customer satisfaction ($\beta=0.153$). The study also found that tangibility had a $p\text{-value}$ (0.028) less than the selected level of significance (0.05), an indication that the influence of tangibility on customer satisfaction is significant. Therefore, tangibility had a positive significant influence on customer satisfaction.

Consistent with these findings, previous studies hold similar findings. A study conducted by Mohamud, and Jibril. (2016) investigated the challenges of quality service delivery on customer satisfaction in the banking industry in Uganda. The study used a mixed-methods approach and found that the major challenges faced by banks in Uganda in delivering quality service include poor customer service, long waiting times, and inadequate technology infrastructure. Lomendra et al. (2019) assess the impact of the service quality dimension on the satisfaction of customers in the commercial banks in Mauritius. Vingirayi and Ishumael (2020) investigated the challenges of quality service delivery on customer satisfaction in the banking industry in Zimbabwe. The study found that the major challenges facing banks in Zimbabwe

in delivering quality service include poor customer service, long waiting times, lack of adequate technology infrastructure, and low financial literacy among customers.

5. Conclusion

This study aimed to explore the impact of service quality dimensions on customer satisfaction in the service sector at Stanbic Bank. The study concluded that customers at various Stanbic branches in Lusaka district were generally satisfied with the services they accessed in their respective locations. However, there were some areas of improvement that customers highlighted but generally, the level of satisfaction was above average. Tangibility and assurance were the quality service dimensions that influenced the perceived customer satisfaction at Stanbic Bank Zambia in Lusaka. However, empathy, reliability, and responsiveness were less influential thus requiring improvement for the bank to effectively achieve greater customer satisfaction. Satisfied customers were more likely to continue doing business with the bank and even recommend it to others. A positive experience fosters loyalty as customers tend to stick with institutions that consistently provide a high level of service.

Based on the results of this study, it is recommended that the bank needs to prioritize the service quality dimensions to provide quality services to its various customers. Further, the researcher recommends extending the examination of the impact of service quality dimensions on customer satisfaction to other banks and towns as well as include sectors beyond the banking industry to gain insights into improving service quality and customer experiences across diverse service industries.

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The Effect of Product Quality and Price on Customers' Loyalty through Customers' Satisfaction: The Case of Selling Region II, PT Wijaya Karya Beton Tbk.

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Abstract

This research aims to determine the impact of product quality and price on customer loyalty through customer satisfaction in the Sales Region II PT Wijaya Karya Beton Tbk. The population is customers of the Sales Region II PT Wijaya Karya Beton Tbk with a sample or respondents of 190 people using a probability sampling technique with a cluster sampler system. The data used is primary data with the method of collecting query data and secondary data taken through literature. The analysis technique used by the researchers was structural equation modeling (SEM) using the Lisrel. The results of the research show that: 1) product quality has a positive and significant impact on customer satisfaction; 2) price has a significant and positive impact on client satisfaction, 3) product quality positively and significantly affects customer loyalty; 4) price has a positive and non-significant effect on customer loyalty, 5) customer satisfaction has a positive impact and significant influence on customer loyalties.

Keywords: product quality, price, customers' loyalty, customers' satisfaction.

JEL CODES: D12, G21, L84, M31, O33

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1. Introduction

Marketing management is one of the main activities carried out by many companies to support the company's sustainability, growth and development, gain profits, and have good company value (value of firm). The marketing process or cycle is marked before the goods are produced and should continue after sales. A company's marketing activities must satisfy consumers if they want their business to continue or for consumers to have a better view of the company

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(Dharmmesta & Handoko, 2014).

Companies are pressured to demonstrate professional management in today's business landscape, even in open markets. This is crucial for their survival and future growth. The intense competition at the marketing level necessitates a heightened focus on marketing management.

PT Wijaya Karya Beton Tbk, more popularly called Wika Beton, is a subsidiary of PT Wijaya Karya (Persero) Tbk, also popularly called Wika. Wika Beton is a company operating in the precast concrete industry whose vision is "To become a leading company in the Engineering, Production, Installation (EPI) Concrete Industry in Southeast Asia." Wika Beton is a pioneer precast concrete company in Indonesia since 1997, with its first product being prestressed concrete electricity poles with the customer being PLN in 1978; at that time, it was still under the name of PT Wijaya Karya (Persero) as the holding. PT Wijaya Karya Beton Tbk significantly contributes and plays a vital role in developing this country's precast concrete construction industry. Precast concrete products, the flagship products of which are concrete piles and concrete girder beams; apart from that, Wika Beton produces several precast concrete products; there are approximately 12 variants of precast concrete products (Marketing Wika Beton, 2022).

Sales Area II (WP II) is one of Wika Beton's sales or marketing units at Jalan Bambang Utoyo Rama Kasih Raya No. 957 Palembang. WP II's work area is southern Sumatra, covering South Sumatra Province, Jambi Province, Bengkulu Province, Lampung Province, and Bangka Belitung Province. Wika Beton has several customer types, including BUMN Oil and Gas, BUMN Energy, BUMN Karya, National and Local Private, and APBN / APBD Government (Wika Beton marketing database 2022). Many companies will face problems and risks that must be minimized in achieving their goals. PT Wijaya Karya Beton Tbk, in Sales Area (WP) II, Southern Sumatra, is not free from existing problems.

Marketing mix activities play an essential role in the survival of a company. The increasing competition in the precast concrete business sector continues to improve advice and infrastructure, human resources, pricing, and customer comfort. This is done to increase customer satisfaction and loyalty so that they can compete and excel compared to other competitors. Several phenomena occurred at WP II Wika Beton, namely the discovery of indications of problems in customer loyalty indicators.

Contract turnover at WP II Wika Beton has decreased on average in the last five years. In 2018, contract turnover was achieved at six hundred seventy billion and sixty-three million from the target of six hundred and seventy billion. Until 2020, contract turnover experienced a significant decline. If a straight line is drawn on the acquisition until 2022, the contract turnover will experience a decline, and the achievement of the target that has been set has yet to be achieved. Achievement in 2022 is 58.78% of the target. The decline in contract turnover and the failure to achieve targets shows that WP II Wika Beton's customer loyalty still needs to improve.

The results of interviews with the marketing section of WP II Wika Beton show a decrease in customers in the last five years, from 2018 to 2022. A significant decrease occurred in 2020 from the previous year, 2019. The decrease occurred due to the level of customer return requests and repurchases from Wika Beton, an indicator of repeat purchases. Researchers also received information that several regular customers had reduced the number or volume of orders; this was due to the existence of alternative providers or other manufacturers. Researchers' observations found referral indicators that some customers at Wika Beton only sometimes

recommended Wika Beton as a concrete product manufacturer. However, several manufacturers could be an option for purchasing concrete products.

The customer satisfaction index for the last five years has been above the minimum target of 4 IDX but is still below the company's target of 4.5 IDX. The customer satisfaction score was not achieved according to the target, which is in line with the non-achievement of the contract turnover target.

Based on interviews and observations, in terms of indicators of customer satisfaction, several customers feel dissatisfied after purchasing products with Wika Beton. This is due to several customer complaints. Apart from that, regarding customer expectations, customers also expressed that there needed to be a better match between the products they needed. Customers sometimes complain about the durability, dimensions, and toughness when the product is used. The lack or low quality of the product does not match the price paid by the customer. Furthermore, some customers tend to recommend something other than Wika Beton to other customers due to low customer satisfaction.

Piles have the most significant sales at 61.45% of the total contract turnover in 2022, followed by Concrete Electric Poles at 12.59%, dominated by most orders from PT PLN (Persero). The river normalization project in the city of Palembang impacted sales of concrete retaining walls by 6.39%. The construction of connecting bridges in the South Sumatra Area (APBN/APBD) impacts Bridge Concrete sales by 6.22%—railway line development by PT. KAI (Persero), using the tender method, contributed sales of 6.16%, while Water Building Concrete, Other Concrete (Special Orders), and Services also contributed to sales of concrete products, although not too big.

Based on observations, in terms of work quality indicators, it is indicated that several customers have received defective products and even rejected them. Products that have been produced and are ready to be sent have gone through a Quality Control process with the hope of zero rejects (no failed products). High distribution mobility sometimes results in product defects, causing customer complaints.

The cause of product failure, based on the results of interviews with the implementation team, was installation methods that did not comply with SOPs by partners or contractors/customers, as well as product quality. Water-building products have the most miniature composition due to many improvements during the installation process. This indicates that there are indicators of product durability and design on product quality.

During interviews with the WP II Wika Beton field implementation team, several customers asked for repairs to products sent to the project site. This indicates a problem with the product quality conformity indicator.

Apart from the variables of loyalty, job satisfaction, and product quality influencing them, researchers also found indications of other phenomena related to the price variable. Based on interviews, product pricing is determined by company regulations and policies. Information received from customers shows that Wika Beton's prices are higher than those of competitors. Not only that, WP II Wikan Beton lost the tender for the procurement of Concrete Bearings at PT Kereta Api Indonesia (Persero) in November 2022 (RKS/10/TENDER/MANUAL/P-2022 November 14, 2022). This indicates the existence of price suitability indicators.

The results of interviews with customers and the WP II Wika Beton Marketing Team indicate

competitiveness indicators. Payment methods by competitors that provide easy payment, namely no down payment or 100% payment after the work is completed, create a lack of price competitiveness for Wika Beton with competitors. Apart from higher prices than competitors, Wika Beton's payment methods could be more flexible and flexible.

Based on the description and conditions explained above, the researcher is interested in conducting research titled "The Influence of Product Quality and Price on Customer Loyalty Through Customer Satisfaction in Sales Area II of PT Wijaya Karya Beton Tbk."

2. Literature Review

Marketing activities aim to excel in competition by influencing consumers, customers, or potential buyers to choose company products. To achieve this, companies and marketing managers must have a deep understanding of consumer behavior and purchasing patterns. This knowledge enables them to develop products, manage quality, set prices, promote, distribute products, and build consumer or customer loyalty effectively.

Consumer behavior is strongly influenced by cultural, social, personal, and psychological attitudes. One of the components of consumer or customer behavior and attitude is loyalty. According to Saravanakumar (2014), consumer or customer loyalty plays a vital role in business organizations or businesses. The attitude component of customer loyalty is the idea of reusing the product or the willingness to recommend it to others. In addition, a demonstration of commitment takes the form of reluctance to switch to other competitors. On the other hand, customer loyalty behavior is repeat purchases of products or services, recommending them to others, and long-term use of the product.

One of the critical studies in marketing management is customer or consumer loyalty. Tjiptono (2011) and Robby (2017) define *loyalty* as repurchasing solely involving purchasing a particular brand repeatedly. Loysumer loyalty is given to the product because the product meets consumer needs. Customer loyalty is one factor that companies need to pay attention to in order to do their best, and it is directly related to the strength of customer satisfaction (Odunlami & Matthew, 2015).

Customer satisfaction has also become an essential concept in strengthening and influencing loyalty. According to Kotler & Keller (2012) in the book Tjiptono (2019), *satisfaction* is the level of a person's feelings after comparing the perceived performance or results to their expectations. Customers or consumers generally expect products in the form of goods or services consumed or used to be received sustainably and satisfactorily. According to Ferdinand Napitupulu (2019), satisfaction can form loyal perceptions and position company products in the eyes and hearts of customers. Many factors influence customer loyalty and satisfaction, including product and price, service quality, reliability, and customer relations.

Product quality will influence loyalty; Kotler and Keller (2017) state that product quality is the ability of a product to carry out its function, including durability, reliability, accuracy, ease of operation and repair, and other valuable attributes. A company can be good if it can provide products that customers desire and make customers loyal and committed to the product. Product quality and good service performance will have a big influence on increasing customer loyalty.

Product quality will also influence consumer satisfaction. Product quality is the primary reference for determining the level of consumer satisfaction. Product quality is considered good if the product meets what the customer expects, and if it exceeds customer expectations, the

quality is considered very satisfactory. However, some products need to meet expectations. Product quality is said to be harmful if it can fulfill consumer desires, either through the product or through service. Therefore, product quality will be related to how the product can satisfy consumers.

Apart from satisfaction and product quality, price is another factor influencing loyalty. According to Kotler and Armstrong (2018), price is the amount of money charged for a product or service or the amount of value exchanged by customers to obtain benefits from owning or using a product or service. Meanwhile, according to Gerung et al. (2017), price is the money needed to get several combinations of goods and services. Therefore, price is a reasonable consideration for customers when purchasing first and repeat products. When customers no longer feel the benefits from the price of a product, they end up switching to a competitor's product.

The price of a product will also influence consumer satisfaction. Consumers or customers view price as essential when purchasing products or services. Consumers will feel dissatisfied if the price is high but the quality differs from what is expected. Price is also an element of the marketing mix that generates revenue, while other elements generate costs.

The Effect of Product Quality on Customer Satisfaction. According to Tjiptono & Fahmi (2012), Product quality influences customer satisfaction. Quality products have an essential role in shaping customer satisfaction. Dedek Kumara and Iip Marlia's (2021) research is entitled *The Influence of Product Quality and Service Quality on Steel Customer Satisfaction at PT Limas Prima Steel, Tangerang City*. Research Results Product quality has a significant effect on customer satisfaction. The phenomenon of product quality on satisfaction that can be seen at WP II Wika Beton is product failure or rejection, which makes customers feel dissatisfied. Customers must repair the damage or even replace the product. This affects the customer's work targets in terms of time and cost. Therefore, the higher the quality of the product provided, the higher customer satisfaction. If customer satisfaction is higher, the company can generate profits.

The Effect of Price on Customer Satisfaction. According to Tjiptono (2012), a company's price is different based on the product's benefits, which can reduce customer satisfaction. According to research from Chandra Kartika (2016), entitled *The Influence of Product Standards, Quality Assurance, Competitive Price and Delivery on Time on Customer Satisfaction and Customer Loyalty of Precast Concrete Products at PT Tjakrindo Mas - Gersik*. Research Results: Price influences customer satisfaction. The phenomenon of price on satisfaction that can be seen at WP II Wika Beton is that the price of Wika Beton is higher than that of competitors. Customers would prefer the prices offered by Wika Beton. High prices can reduce customers' profits, and rigid payment methods make customers choose other alternative concrete manufacturers. Moreover, the product quality is the same as competitors. This is very unfortunate because it caused Wika Beton to lose customers. Therefore, if a company's price is on the benefits received, it will increase satisfaction.

The Influence of Product Quality on Customer Loyalty. According to Tjiptono (2012). Customer loyalty is the primary key for companies to win in competition, both in service companies and goods companies. According to the results of research conducted by Prasetyo (2007), the hypothesis that "product quality has a direct effect on loyalty" is accepted as accurate.

The phenomenon of product quality on loyalty seen at WP II Wika Beton is the need for work quality, suitability quality, durability, and design, so there are still customer complaints. Defective products and even rejects still often occur while receiving goods from customers. Many researchers see customer loyalty as a form of success for an organization. Suppose the quality of the product provided by the company meets expectations. In that case, consumers will be happy because they have reasonable expectations of the quality of the product, and consumer loyalty will arise directly from the company.

The influence of price on customer loyalty. According to economist Kotler (2014), price is a variable related to customer loyalty. Price can also influence customers' decisions to buy a product. Customer loyalty will be higher if the product price matches the quality provided (Kotler, 2009). Loyalty can be interpreted as fidelity. Consumer loyalty is demonstrated by continuously repurchasing goods or services in demand. According to research by Dita Indah Sari, Sugiharto, Achmad Daengs GS (2022), entitled *The Influence of Prices and Promotions on Consumer Loyalty for Concrete Pillars at PT Sentosa Sakti Makmur Surabaya*. Research results: Price influences customer loyalty. The phenomenon of price on loyalty seen at WP II Wika Beton is that some customers feel that Wika Beton's prices are more expensive than competitors, and the payment method process needs to be more flexible. Therefore, price is everything deliberately provided by providers of goods and services for consumers' use and enjoyment to satisfy them.

The Effect of Satisfaction on Customer Loyalty. Jones and Sasser (1994) state that customer loyalty is an endogenous variable caused by a combination of satisfaction, so it is a function of satisfaction. According to research by Sita Budiastri (2013), entitled *The Influence of Product Quality and Price Perception on Customer Loyalty through Customer Satisfaction of Holcim Ready-Mix Concrete Products in Jakarta*, Customer satisfaction influences customer loyalty. Customer satisfaction is proven to be an essential factor in influencing loyalty. This means that when customers are happy and satisfied with the product they consume, they also tell other people to buy it, and consumers tend to switch to another brand and repeat the purchase. The phenomenon of customer satisfaction regarding customer loyalty that can be seen at WP II Wika Beton is that the level of customer satisfaction is not up to the target or is low, so customer loyalty is low. Customer loyalty influences the company's target, in this case, contract turnover. Contract turnover has decreased in the last five years. Therefore, if the relationship between satisfaction and customer loyalty is positive, then high satisfaction will increase customer loyalty.

3. Research Method

This research was conducted in Southern Sumatra (South Sumatra, Jambi, Bengkulu, Lampung, and Bangka Belitung), and the objects in this research were four variables, namely Product Quality and Price, which influence Customer Loyalty through Customer Satisfaction. The quantitative research method analyzes the relationship between one variable and other variables. The research variables are customer satisfaction (η_1), loyalty (η_2), product quality (ξ_1), and price (ξ_1). The population in this research are customers who have made purchases in Sales Area II of PT Wijaya Karya Beton Tbk from 2021 to 2022. In this research, the sample size was 190 respondents from customers in Sales Area II of PT Wijaya Karya Beton Tbk. With 38 statements (questionnaires) multiplied by 5 = 190 samples. So, through calculations based on this formula, the sample size obtained from this research was 190 respondents from customers in Sales Area II of PT Wijaya Karya Beton

Tbk. Primary data were obtained by distributing questionnaires to research objects and filling them indirectly by respondents. The data used for hypothesis testing in this research is Primary Data received from customers at WP II Wika Beton, as respondents with the main instrument in the form of a questionnaire. The questionnaire used in this research consists of positive and negative items. Questionnaire measurements use a Likert Scale. The data analysis technique for measuring the variables in this research uses the Structural Equation Modeling (SEM) equation.

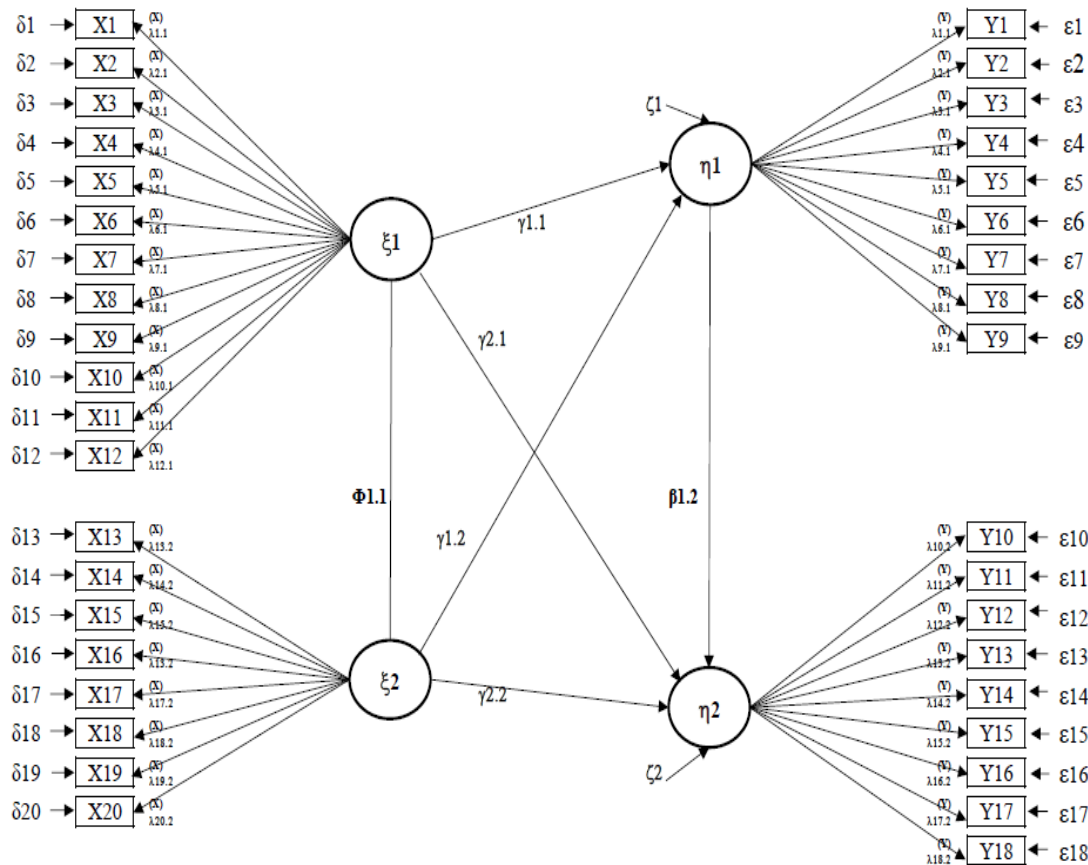


Figure 1. Structural Equation Modelling

4. Findings and Discussions

4.1. Confirmatory Factor Analysis

This analysis was carried out on all constructs separately in order to test the measurement model through the evaluation of construct validity and construct reliability.

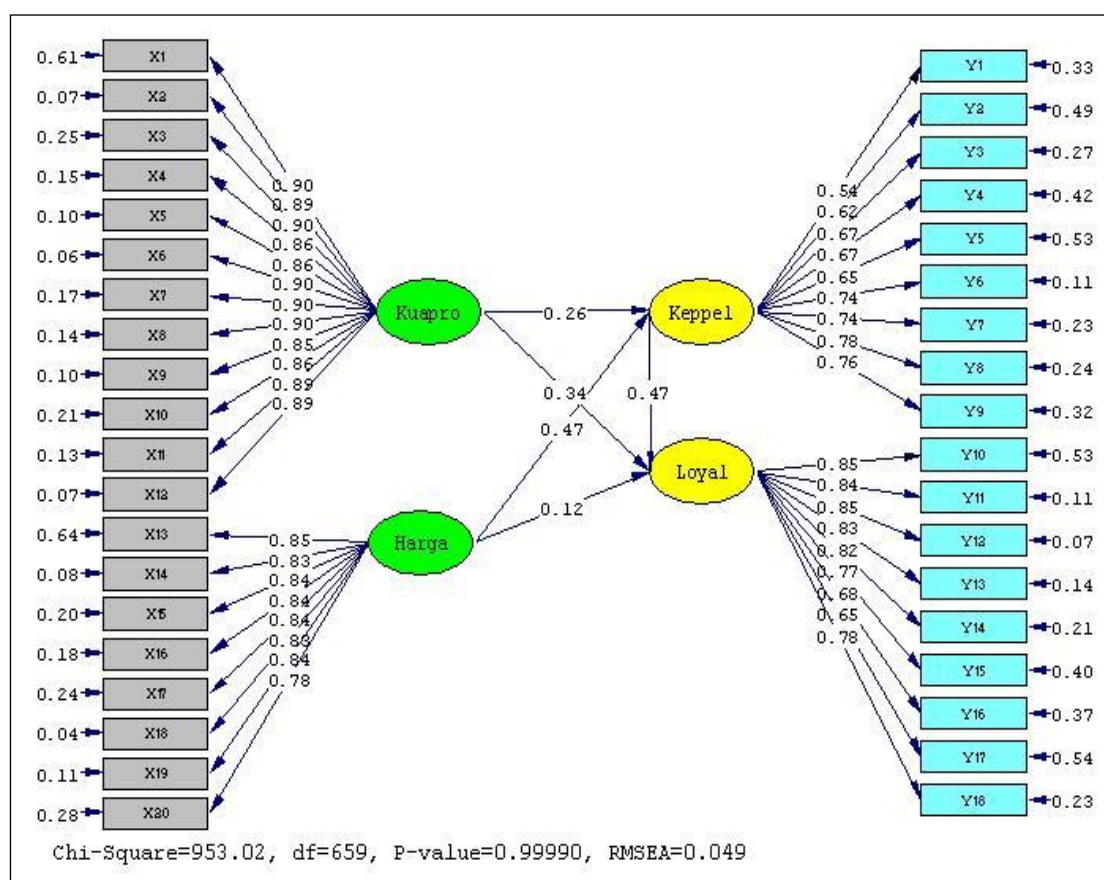


Figure 2. Confirmatory Factor Analysis (CFA)

Based on Figure 2, it shows that all loading factor variables have values greater than the error value. This shows that the CFA (Confirmatory Factor Analysis) examiner at the initial stage in the picture above has met the requirements for the next stage of testing.

4.2. Goodness of Fit

Based on Goodness of Fit results. A summary of the results of the model suitability test can be made as follows:

Table 1. Goodness of Fit

Goodness Of Fit Index	Cut Of Value	Hasil Analisis	Evaluasi Model
P-Value	$\geq 0,05$	0,63	Good Fit
RMSEA	$\leq 0,1$	0,049	Good Fit
GFI	$\geq 0,90$	0,79	Fit
NNFI	$\geq 0,90$	0,98	Good Fit
SRMR	$\leq 0,1$	0,054	Good Fit
IFI	$\geq 0,90$	0,98	Good Fit
CFI	$\geq 0,90$	0,98	Good Fit
RFI	$\geq 0,90$	0,95	Good Fit
NFI	$\geq 0,90$	0,96	Good Fit

Based on Table 1, it can be concluded that the model is good because the overall goodness of fit index criteria are included in the good fit category, especially the P-Value value which is greater than 0.05 and the RMSEA value which is less than 0.05 so there is no need to model modifications were made.

4.3 t-value Result

The Effect of Product Quality on Customer Satisfaction Sales Region II PT Wijaya Karya Beton Tbk. Our research findings, based on the rigorous test results, reveal a significant and positive correlation between product quality and customer satisfaction in Sales Region II PT Wijaya Karya Beton Tbk. The t-value results of $3.77 > 1.96$, unequivocally indicate that product quality plays a pivotal role in shaping customer satisfaction. The results of this research are in accordance with the theory, according to Tjiptono (Fahmi, 2012), that Product quality influences customer satisfaction. Quality products play an essential role in shaping customer satisfaction. According to research by Dedek Kumara and Iip Marlia (2021), entitled The Influence of Product Quality and Service Quality on Steel Customer Satisfaction at PT Limas Prima Steel, Tangerang City. Research Results Product quality has a significant effect on customer satisfaction. This research differs from Hamid Halim's (2018) research because it is based on several aspects. For example, the sample used in Hamid Halim's (2018) research was 78. In contrast, in this research, there were 190 samples. Hamid Halim's (2018) sampling technique used the census or saturated sampling method, while in this study, the cluster sampling technique (sample area) was used. The results of respondents show that product quality influences satisfaction. It can be seen from the distribution of answers among respondents that the problem is as follows: (a) there are still several product failures or rejects; (b) some customers still repair damaged products or even replace them; and (c) several customers complained about delays in customer work targets both in terms of time and cost due to low product quality. Researchers suggest that to improve product quality, companies must pay attention to the manufacturing or production activities of goods or products so that they can be carried out according to the standards (SOP) the company has set. Apart from focusing on production activities, companies must also pay attention to distribution activities. Distribution or delivery activities of goods can be carried out using technical and security procedures. Maintain good product quality until the customer receives the goods. The next suggestion is to carry out product installation activities at the customer's location by procedural standards, or you can provide a manual book to the customer. This is so that there are no errors in the installation or product installation process. In the future, increasing product quality will increase customer satisfaction.

The Effect of Price on Customer Satisfaction Sales Region II PT Wijaya Karya Beton Tbk. Our research findings, based on the rigorous test results, reveal a significant and positive correlation between product quality and customer satisfaction in Sales Region II PT Wijaya Karya Beton Tbk. The T-Values results of $3.77 > 1.96$ unequivocally indicate that product quality is pivotal in shaping customer satisfaction. According to Tjiptono (2012), a company's price is based on something other than the product's benefits, which can reduce customer satisfaction. According to research from Chandra Kartika (2016), entitled The Influence of Product Standards, Quality Assurance, Competitive Price and Delivery on Time on Customer Satisfaction and Customer Loyalty of Precast Concrete Products at PT Tjakrindo Mas - Gersik. Research Results: Price influences customer satisfaction. This research is different from the Nut Aini Dwi Jayanti (2020) research because it is based on several aspects, namely, the number of respondents in the Nut Aini Dwi Jayanti (2020) research is much smaller, namely 40 respondents. In contrast,

in this study, there were 190 respondents. Nut Aini Dwi Jayanti's (2020) sampling used purposive or saturated sampling, while the research used cluster sampling (sample area). The Nut Aini Dwi Jayanti (2020) data analysis method uses a data analysis method, namely multiple linear regression, while the research uses Structural Equation Modeling (SEM). The results of the respondents show that price affects customer satisfaction. It can be seen from the distribution of answers among respondents that the problem is as follows: (a) prices tend to be more expensive than competitors; (b) payment methods that still need to be flexible or adapt to the customer's financial facilities. The consequences of this problem are that the prices offered are higher or more expensive than competitors and that the payment methods are sometimes still rigid. Researchers suggest that companies must pay more attention to the composition or price calculation of products to increase price competitiveness, considering aspects of the internal and external environment. Internal environmental factors include improving the quality of human resources, raw materials at low prices with good quality standards, and modernization of equipment and work equipment. Meanwhile, from an external perspective, the company can review the appropriateness of the selling price by considering competitor factors. The 100% (one hundred percent) payment method before the goods are sent or picked up by the customer secures the company from a financial perspective. It is better if there are customer priorities that can be made more accessible in the payment process while still adhering to the principle of providing benefits for the company. In the future, more competitive prices will increase customer satisfaction.

The Influence of Product Quality on Customer Loyalty Sales Region II PT Wijaya Karya Beton Tbk. Based on the test results, product quality positively and significantly affects customer loyalty in Sales Region II PT Wijaya Karya Beton Tbk. Test results using the lisrel application show T-Values results of $4.65 > 1.96$, so it can be concluded that product quality has a positive and significant effect on customer loyalty. According to the results of research conducted by Prasetyo (2007), the hypothesis that "product quality has a direct effect on loyalty" is accepted as accurate. The results of this research are in accordance with the theory that, according to I Made Bagus Dwiarta (2016), one factor that influences customer loyalty is product quality. Based on the results of respondents show that product quality affects customer loyalty where (a) there are still some product qualities that do not meet the specifications desired by customers; (b) customers tend to make modifications to the products they receive; (c) customers complain about delays in customer work targets both in terms of time and cost due to low product quality. The consequences of this problem are that the product quality has not demonstrated performance, conformity, or durability quality, and the design has not been good. Researchers suggest that to improve product quality, companies must pay attention to the manufacturing or production activities of goods or products so that they can be carried out according to the standards (SOP) that the company has set. Apart from focusing on production activities, companies must also pay attention to distribution activities. Distribution or delivery activities of goods can be carried out using technical and security procedures. Maintain good product quality until the customer receives the goods. The next suggestion is to carry out product installation activities at the customer's premises by procedural standards, or you can provide a manual book to the customer. This is so that there are no errors in the installation or product installation process. Increasing product quality will increase customer loyalty in the future.

Effect of Price on Customer Loyalty Sales Area II PT Wijaya Karya Beton Tbk. Based on the test results, price does not significantly affect customer loyalty in Sales Region II PT Wijaya

Karya Beton Tbk. Test results using the lisrel application show T-Values results of $1.78 < 1.96$, so it can be concluded that price has no significant effect on customer loyalty. This research is the same as Nut Aini Dwi Jayanti's (2020) research, which states that price does not significantly affect customer loyalty. However, the results of this research are different from the theory. According to Kotler (2014), price is a variable that relates to customer loyalty. Price will also influence customers' decision to buy a product. The reasons the price variable does not affect customer loyalty are: first, the elements in the indicators other than those asked by the researcher may affect customer loyalty, meaning that in this case, the researcher conducting the research only took two indicators that were close to the goal in asking the question. This is important to respondents because, according to researchers, these indicators best represent or correspond to the phenomena and facts when making observations. However, the results obtained by researchers from questionnaires that have been distributed and processed state that the price variable does not affect customer loyalty, so price indicators not included in this research may have a significant favorable influence on the price variable on customer loyalty. Based on the results of respondents show that price has no effect on customer loyalty where (a) not all customers have accepted the components of the price offered, and (b) discounts or discounts received by customers on repeat purchases are relatively small, even the same as previous purchases. The consequences of this problem are that the prices offered are higher or more expensive than competitors', and payment methods are rigid. Researchers suggest that companies must pay more attention to the composition or calculation of product prices, considering aspects of the internal and external environment to increase price competitiveness. As for internal environmental elements, these include improving the quality of human resources, raw materials at low prices with good quality standards, and modernization of equipment and work equipment. Meanwhile, from an external perspective, the company can review the appropriateness of the selling price by considering competing factors. The 100% (one hundred percent) payment method before the goods are sent or picked up by the customer secures the company financially. It is better if there are customer priorities that can be made more accessible in the payment process while still adhering to the principle of providing benefits for the company. In the future, more competitive prices will increase customer loyalty.

The Effect of Customer Satisfaction on Customer Loyalty in Sales Region II PT Wijaya Karya Beton Tbk. Based on the test results, customer satisfaction significantly affects customer loyalty in Sales Region II PT Wijaya Karya Beton Tbk. Test results using the lisrel application show T-Values results of $4.86 > 1.96$, so it can be concluded that customer satisfaction affects customer loyalty. The results of this research are based on the theory of Jones and Sasser (1994), which states that customer loyalty is an endogenous variable caused by a combination of satisfaction, so customer loyalty is a function of satisfaction. According to research by Sita Budiastri (2013), entitled The Influence of Product Quality and Price Perception on Customer Loyalty through Customer Satisfaction of Holcim Ready-Mix Concrete Products in Jakarta. Research Results Customer satisfaction influences customer loyalty. Customer satisfaction, by theory, is proven to be an essential factor in influencing loyalty. This means that when customers are happy and satisfied with the product they consume, they also tell other people to buy it, and consumers tend to switch to another brand and repeat the purchase. The results of respondents show that customer satisfaction influences customer loyalty: (a) customers are not satisfied because of the implementation time and the slowness in getting information about the product; (b) there are still customers who complain about inappropriate prices for the products they receive; and (c) customers who are not satisfied tend not to recommend them to other parties.

The result of this problem is there are still customers who are unsatisfied, have not met their expectations, and do not want to recommend. Researchers suggest that companies always provide choices and completeness of the products, speed, and service accuracy as promised, and communicate well with customers. To meet customer expectations, companies should give appropriate product quality and prices. So, it is very important for companies to increase customer satisfaction so that customers will be able to make repeat purchases, persist in collaborating with the company, and recommend the company to potential new customers.

The Effect of Product Quality on Customer Loyalty in Sales Region II PT Wijaya Karya Beton Tbk with Customer Satisfaction as an Intervening Variable. Based on the test results, the direct effect of product quality on customer loyalty is 0.26, while the indirect effect of product quality on loyalty with customer satisfaction as an intervening variable is 0.12. This means that customer satisfaction strengthens product quality's influence on customer loyalty. In this case, the customer satisfaction intervening variable must support the product quality variable. Supporting customer satisfaction enhances the impact of product quality on customer loyalty. This statement is based on the results of distributing questionnaires and responses to existing statement items showing that product quality has an influence on customer loyalty through the intervening variable of customer satisfaction with the results of the questionnaire statement from the Product Quality variable dominated by respondents' answers disagreeing and strongly disagreeing, even neutral, relatively high. However, out of 190 respondents, some respondents agreed and strongly agreed.

Effect of Price on Customer Loyalty Sales Area II PT Wijaya Karya Beton Tbk with Customer Satisfaction as an Intervening Variable. Based on the test results, the direct effect of price on customer loyalty is 0.47, while the indirect effect of price on customer loyalty with customer satisfaction as an intervening variable is 0.22. This means that customer satisfaction strengthens the influence of price on customer loyalty. In this case, the price variable needs to be supported by the intervening variable of customer satisfaction. Supporting customer satisfaction strengthens the influence of price on customer loyalty. This statement is based on the results of distributing questionnaires and responses to existing statement items showing that price affects customer loyalty through the intervening variable of customer satisfaction, with the results of the questionnaire statement from the Price Variable being dominated by respondents' answers disagreeing and strongly disagreeing and even neutral, which is relatively high, although Thus, from 190 respondents there were respondents who agreed and strongly agreed.

5. Conclusion

It can be concluded that product quality and price positively and significantly influence customer satisfaction and loyalty in Sales Region II PT Wijaya Karya Beton Tbk. Thus, to improve product quality and customer satisfaction, the company can ensure that production activities are carried out according to company standards (SOP). Product distribution activities are carried out by technical and safety standards so that the quality of the products received by customers is appropriately maintained. Manual books and product installation education can be delivered to customers to avoid errors during product installation in the field or on projects. To increase prices for customer satisfaction, companies can pay attention to the price composition of internal and external factors. Internal factors can be improved by improving the quality of human resources and raw materials and modernizing equipment and work equipment. For external factors, you can consider the appropriateness of the price by considering competitor factors and flexible payment methods to the company's and customer's financial conditions. To

improve product quality and customer loyalty, companies can establish good customer relationships by providing products with the best quality and good human resource competence.

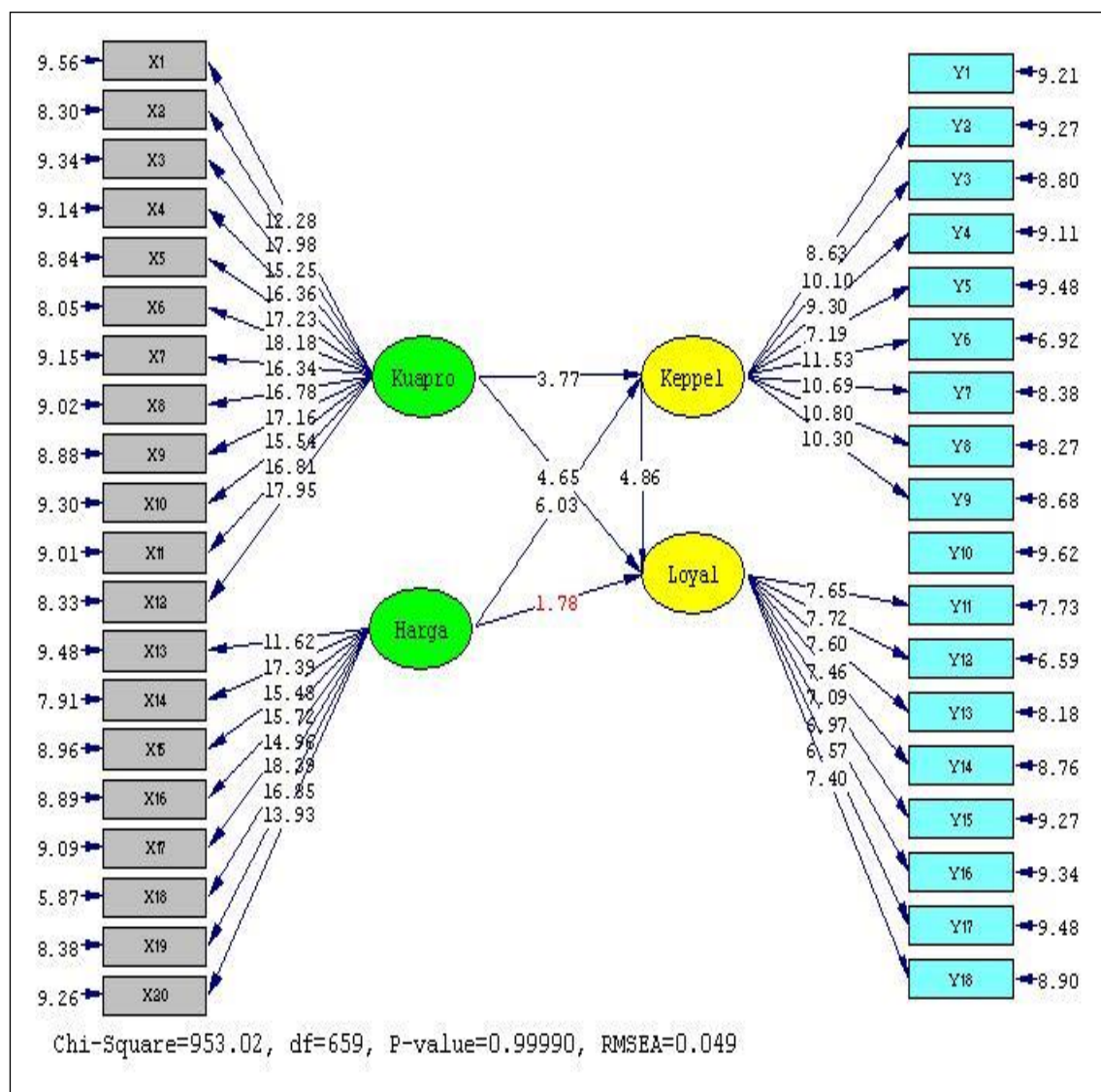


Figure 3. t-value

Companies can support and facilitate such things as periodically giving customers information about products to meet customer expectations and increase customer loyalty. To increase prices for customer loyalty, companies must increase customer satisfaction. Companies should be able to provide components that match the prices offered; apart from that, companies can provide discounts or discounts for customers who make repeat purchases. The company must provide the best quality products at appropriate prices to increase customer satisfaction and loyalty. This can increase customer loyalty in the hope that customers will make repeat purchases and recommend the company to other parties.

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The Effect of Discipline and Leadership on Employee Performance with Motivation as Intervening Variable: The Case of Palembang City Public Works and Spatial Planning (PUPR) Office

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Abstract

This study aims to determine the Influence of Discipline and Leadership on Performance through Intervening Variables of Work motivation in the Palembang City Public Works and Spatial Planning Service (PUPR) of Palembang City; this type of research is associative; this study uses variables of work motivation discipline, leadership, and performance. Sampling using the Slovin formula, with a sample use of as many as 126 respondents. The data needed is primary data with a data collection method using questionnaires. The analytical technique used in this study is the *Structural Equation Model* (SEM) Analysis Technique. The results showed 1) a positive but insignificant influence on discipline variables on work motivation, 2). There was a positive but not significant influence between leadership variables and work motivation variables, 3). There is a positive and significant influence between discipline variables and performance variables; 4). Leadership and performance variables have a positive and significant influence, 5). There is a positive and significant influence between work motivation and performance variables.

Keywords: discipline, leadership, motivation, performance.

JEL CODES: D12, G21, L84, M31, O33

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1. Introduction

In a dynamic and competitive business environment, organizations or institutions can compete with other organizations with competence supported by reliable human resources. Measuring employee performance is one of the main benchmarks of organizational performance, and this

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study's findings on the Influence of Discipline and Leadership on Performance with Motivation as an Intervening Variable provide practical insights for maintaining or improving organizational performance. The importance of evaluating work performance and the need to enhance good work performance are key takeaways from this research.

Organizations must be able to discover problems in achieving their goals, the same as those faced in the Palembang City Public Works and Spatial Planning (PUPR) Department. Researchers determine interesting problem phenomena that can influence organizational performance, but before discussing them, researchers will briefly describe the profile of the Palembang City PUPR Service. The Palembang City PUPR Service, a crucial regional apparatus, plays a pivotal role in the development of infrastructure in Palembang City. Led by a department head who reports to the Mayor through the Regional Secretary, the PUPR Service's responsibilities include assisting the Mayor in the fields of Public Works and Spatial Planning. To effectively fulfill these tasks and achieve the targets set in the Strategic Plan (RENSTRA), the PUPR Service relies on a competent and dedicated team of Human Resources.

Success in achieving organizational goals is determined by producing optimal employee performance. Researchers found an initial phenomenon at the PUPR Department of Palembang City, with problems in attaining official service performance as a form of employee performance achievement. It shows that the performance standards of the Palembang City PUPR Service have yet to reach maximum standards. This indicates that the objectives need to be adequately achieved as set out in the existing performance standards at the Palembang City PUPR Service. When viewed from performance targets as objective indicators, several conditions can be described according to existing reality. Target 1, with a standard of 75.00% and realization of 83.20%, means being able to exceed the standard well, but target 2, with a standard of 84.00 and realization of 83.42, means it has yet to reach the standard. Furthermore, target 3 has 2 work indicators, with the first indicator standard being 77.00% and realization being 81.45%, meaning it can exceed the standard well. The same thing happened to the second indicator, which had a standard of 64.00% and a realization of 81.82%, meaning it also exceeded the standard well. Target 4 also has 2 indicators, with the first standard indicator being 17% and the realization being 15.69%, meaning that it has yet to reach the desired standard. The same thing happened in the second indicator, with a standard of 74% and a realization of 66.67%, meaning it had yet to reach the standard well. Target 5, with a standard of 25% and realization of 22.31%, means that it has not been able to exceed the standard well, but target 6, with a standard of 17.64% and realization of 25.95%, means that it has been able to exceed the set standard. Finally, target 7 has a standard of 84.00% and a realization of 83.40%, meaning it has yet to exceed the standards set.

Overall, the achievement of targets or objectives and the service performance of the Palembang City PUPR Service in 2022 can be seen from 7 targets, where targets 2, 4, 5, and 7 have not completely exceeded the standards. However, targets 1, 3, and 6 could significantly exceed the standard. This condition indicates that performance achievements still need to be met optimally. This suggests that the Palembang City PUPR Service requires more persistent work efforts to achieve the performance standards and goals that the agency has set.

Researchers also looked closely and discovered phenomena related to work goals and standards. Goals are better, and an organization or individual actively achieves different conditions, while standards are measures of the desired goal. In other words, with standards, it can be known whether a goal can be achieved. Achieving work standards is closely related to

achieving goals. PANRB Ministerial Regulation Number 8 of 2021 explains that the civil servant performance management system aims to align the goals and objectives of agencies/work units/direct superiors into Individual Performance Targets, which will later become the basis for measurement, monitoring, performance coaching, and performance assessment as well as follow-up to performance assessment results. Article 6 of the regulation states that the preparation of the SKP plan is carried out in stages by high management officials or independent work unit leadership officials, administrative officials, and functional officials. The Results Role Matrix is used to align the performance at the level of high-level leadership positions to the positions below and the division of tasks. The aim is to ensure objectivity in developing civil servants and evaluating the productivity and contribution of civil servants so that they can successfully carry out their functions as desired within the assessment period. The research conducted at the PUPR Department of Palembang City has brought to light significant issues with employee goals and standards. The findings reveal a concerning trend where civil servants are struggling to surpass the category of merely clarifying optimal SKP goals. This is a clear indication that the civil servants at the Palembang City PUPR Service are yet to achieve the desired goals and work standards.

Based on the initial data obtained by researchers, it can be observed that the work standards at the Palembang City PUPR Service still need to meet the expectations and objectives of the desired optimal (outstanding) clarification category. In 2020, the Palembang City PUPR Department achieved work standard results of 90.3, but in 2021, it decreased to 73.6, and in 2022, it was 73. The Employee Work Target Assessment Standard (SKP) also indicates that the employee's work achievement goals have been partially exceeded. Optimal. This is because there has been no achievement of "excellent" performance or a score of 91 or above. Performance results for the past 3 years show that the performance of Palembang City PUPR Service Employees is at the level of adequate and good performance, yet to achieve the desired goals. This condition reflects the difficulties and problems at the Palembang City PUPR Service in realizing the optimization of employee work standards and better goals to be achieved in the future and on an ongoing basis.

The research has also uncovered a significant competency phenomenon that demands immediate attention. There is a pressing need to enhance the quality of human resources in the construction services sector. This is a crucial aspect that directly impacts the efficiency and effectiveness of the Palembang City PUPR Service, which currently employs 182 civil servants. The data shows that there is a gap in employee competency, where the level of education is still inadequate and imbalanced. This can be seen in the fields of Building Planning, Infrastructure, and Construction Services. One variable that can influence performance is work motivation. Researchers found a phenomenon in the Palembang City PUPR Service regarding indicators of working conditions; there was a problem where employees needed to have the same opportunities to develop. On the one hand, employees seem less at home and more comfortable in their work environment and climate. However, some employees show a high level of stress at work. Regarding work performance indicators, there is a problem where employee work motivation to excel still needs to improve, so employee work results are not optimal. There is also a need for employee activity to show their best abilities and take initiative at work. Employees are also antipathetic to the risks of work, so they lack innovation and make arguments at work. Furthermore, in the indicator of recognition from superiors, there needs to be more leadership recognizing the competence, skills, and knowledge possessed by employees and a lack of appreciation for the work that has been done.

It's important to recognize the pivotal role of work motivation and discipline in shaping employee performance. Work discipline, in particular, is a tool that leaders can leverage to foster a culture of adherence to regulations and norms. The presence of such regulations can significantly boost employee discipline, which in turn, can greatly influence the quality of work and overall performance. Researchers also found a problem phenomenon at the PUPR Department of Palembang City, where it was indicated that employee discipline still needed to be improved that indicated by the attendance level.

Employee attendance levels decreased between 2021 and 2022. In 2021, the attendance rate was 81.3%, but in 2022, it fell to 78.7%. This indicates that the overall level of employee attendance is still low. Researchers also found another phenomenon in the discipline variable: the indicators of work procedures for compliance with regulations. Researchers observed that since attendance was implemented using the Finger Print system, it did not make employees diligent; on the contrary, it made employees careless during work hours; employees only came to do Finger Print after they went home. Some employees are late for morning assembly and group exercise, and others are absent. Researchers also found minimal employees on duty in the field. They still needed to fully implement compliance with Occupational Health Safety (K3) procedures by Standard Operating Procedures for Construction work by Government Regulation Number 50 of 2012 concerning the Implementation of Occupational Safety and Health Management Systems, such as the use of safety helmets.

Apart from that, regarding the discipline variable, there is a problem with the indicator of obedience or obedience to superiors, as indicated by the many warning letters. Attendance and obedience to leadership orders at the Palembang City PUPR Service still need to be higher. Even though they have been given a warning letter, employees often need to heed it. In essence, enforcing discipline is a negative process that forces problematic and disobedient employee behavior. Another phenomenon is that employees must comply, be present, and carry out the order when ordered to monitor the field. It often happens that, when determining the location of the drainage team, the leader orders it to go to location X but to another location. The difference between the location instructed by superiors and where work is done...

The disciplinary process is used as an opportunity to turn a problematic situation into one that benefits all parties, change behavior, and not punish problematic employees. In reality, there are still several Palembang City PUPR Service employees whose behavior aligns with the agency's organizational expectations and is quite acceptable. However, some employees often cause problems, although not all of them. Loss of work discipline will affect work efficiency and effectiveness of mandated work tasks. The goals will only be achieved effectively and efficiently if discipline is enforced.

Apart from performance variables, such as work motivation and discipline, the influencing variable is leadership. Regarding leadership, the PUPR Department of Palembang City also faces problems and obstacles. The leadership of the City PUPR Service has yet to be able to make good decisions, which is indicated by frequent delays in services to the community when complaints occur. When a complaint arises, for example, when complaining about damaged roads/puddles of water, employees are asked to deal with it themselves even though the delay in service is due to limited personnel and excessive work. Leaders need help deciding on the problems of limited personnel and excess work. This indicates the leader's weakness in decision-making, so these incidents repeat themselves, and the leader cannot provide solutions to resolve these problems. PUPR service leaders also tend not to be toned to be more successful

in motivating subordinates; this is indicated by the leadership's lack of ability to recognize competence and expertise and appreciate employees' work results. When work is completed well, for example, bridge construction work or infrastructure buildings, leaders often prioritize the results of their leadership compared to recognizing and giving awards for their subordinates' skills and work results. If work is not completed (fails) in accordance with organizational goals, the leader is less responsible, places more burden on his subordinates, and blames the employees. Leaders are also less able to motivate employees regarding their work in the field; for example, when working to repair puddles, leaders do not provide motivation and monitoring so that the work can be done effectively. This condition makes subordinates less motivated and feel unappreciated in carrying out their work optimally.

The leadership of the PUPR Service has also yet to be able to control its subordinates; this is indicated by the problem of employee indiscipline behavior, as previously stated. This condition arises from a reflection of employees' negative perceptions of their lack of control ability by the leadership's behavior. Apart from that, there are other phenomena related to subordinate control indicators. Leaders find it difficult to control subordinates regarding assigned work targets. Lack of harmonious communication and monitoring of employees results in employees being less able to understand and focus on completing work. Condition. This results in leaders experiencing difficulty in controlling their subordinates. Researchers also found that the leadership's strategy of dividing work targets down to individual employees, in reality, had little impact on achieving the goals of the Palembang City PUPR Service. Based on the research background stated above, the researcher is interested in conducting research on the Influence of Discipline and Leadership on Employee Performance with Work Motivation as an Intervening Variable at the Public Works and Spatial Planning (PUPR) Department of Palembang City.

2. Literature Review

Performance results from work and work behavior achieved in completing the tasks and responsibilities in a certain period. Increasing individual performance will most likely also increase company performance because the two have a close relationship (Kasmir 2016: 182)

According to Kasmir (2016), factors influencing employee performance are abilities, skills, knowledge, work plans, personality, motivation, leadership, leadership style, organizational culture, job satisfaction, work environment, loyalty, commitment, and discipline. According to Afandi (2018), the factors that influence performance are ability, clarity and acceptance or clarity, level of motivation, competence, work facilities, work culture, leadership, and work discipline.

Motivation is one factor that influences performance; according to Busro (2020), motivation is a drive from within an individual to carry out certain activities to achieve goals. So, by being given the right motivation, employees will be encouraged to do the maximum possible in carrying out their duties, and they believe that with the organization's success in achieving its goals and various targets, their interests will be forgotten. Work motivation in an organization encourages employee morale, so they are willing to work hard to achieve goals. Leaders who direct with motivation will create conditions where employees feel inspired to work hard. Employees with work motivation are essential to achieve high-performance results consistently.

Discipline also influences performance. According to Afandi (2018), Work discipline is a tool managers use to change behavior and increase a person's awareness and willingness to comply

with all company regulations and applicable social norms. Work discipline is a form of compliance with written and unwritten rules. Compliance is manifested in the form of attitudes, behavior, and actions that comply with regulations. How will an organization run well if employees or human resources are not disciplined and need the awareness and willingness to obey all organizational regulations? On the other hand, if employees are highly disciplined and follow all organizational regulations, an excellent working atmosphere will be created. In the future, this will affect the level of employee performance.

Discipline can also influence work motivation. According to Saydam and Kadarisman in Erri & Fajrin (2018), work discipline is one of the factors affecting motivation. How will an organization run well if employees or human resources themselves are not disciplined and need the awareness and willingness to comply with all the regulations of an organization? Disciplined employees can also be influenced by the motivation in which they work. This condition will impact the implementation of the work process, so achieving the work results received will be less effective. Employees must obey regulations; a good, disciplined work atmosphere will increase work motivation or enthusiasm for effective and sustainable work results.

Apart from work motivation and discipline, another factor that influences performance is leadership. Leadership can be defined as a person's ability to move, direct, and affect the mindset and way of working of each member (employee or employee) so that they can act independently in their work, especially in realizing the results of decision-making in the interest of accelerating the achievement of predetermined performance goals (Wahyudi, 2017). Leaders must be able to analyze and make decisions regarding problems in their unit immediately. Poor leadership can trigger various organizational issues, including decreased morale and work motivation, low productivity, lack of innovation and creativity, and failure to achieve organizational goals.

Leadership is also able to influence work motivation. According to Saydam and Kadarisman in Erri & Fajrin (2018), leadership is one of the factors affecting work motivation. Good leadership can help employees feel motivated to work harder to achieve prosperity. On the contrary, bad leadership can hurt employee motivation. The negative impacts of poor leadership on work motivation include increasing employee absenteeism, employees feeling unappreciated, and employees feeling they need more opportunities to develop. Unmotivated employees tend to produce lower-quality products or services. Therefore, every leader must have leadership skills to motivate their employees or subordinates.

The influence of discipline on the work motivation of the Public Works and Spatial Planning Department of Palembang City employees. According to Herzberg (2015), factors that influence employee work motivation are hygiene factors and motivation factors. Discipline is included in hygiene factors, which contain the contents of company policies, regulations, and administration. Meanwhile, Saydam and Kadarisman in Erri & Fajrin (2018) stated that work discipline is one of the factors influencing motivation. Research by Yossi Maria Marintan Hutajulu et al. (2020) shows that discipline significantly affects work motivation, and research from Amy Nurhuda et al. (2019) shows that work discipline does not have a significant effect on motivation. The discipline phenomenon in the PUPR Department of Palembang City has decreased employee attendance levels from year to year. Employees ignore some work procedures and are not motivated to carry out work procedures according to the guidelines. Employees often do not comply with leadership orders and do not have a good work spirit.

The Influence of Leadership on Work Motivation of Palembang City Public Works and Spatial Planning Department Employees. According to Herzberg (2015), hygiene and motivation factors influence employee work motivation. Leadership is included in hygiene factors and motivation factors, which contain content on the quality of supervision/leadership and the leader's recognition of subordinates. Meanwhile, according to Saydam and Kadarisman in Erri & Fajrin (2018), leadership is one of the factors influencing work motivation. Dewi Suryani Harahap and Hazmanan Khair's (2019) research study shows that leadership positively and significantly affects work motivation. Research from Juniar Rosalina Widyawati (2021) states that the transformational leadership style does not considerably influence work motivation. The phenomenon in the Palembang City PUPR Service in leadership is the need for leadership ability in making decisions to overcome problems in the field, resulting in employees feeling that the leadership does not want to be responsible for the work. Leaders also do not appreciate work performance and recognize employee skills. In fieldwork, leaders do not motivate subordinates to complete the assigned work effectively. In addition, leaders need help controlling subordinates regarding assigned work targets. Lack of harmonious communication and monitoring of employees results in employees being less motivated to focus on completing work.

The influence of discipline on the performance of Palembang City Public Works and Spatial Planning Department employees. According to Kasmir (2016), one factor that influences employee performance is work discipline. High work discipline also influences performance optimization. Discipline is a form of obedience to applicable regulations, both written and unwritten. This obedience is manifested in attitudes, behavior, and actions that comply with these regulations. Discipline is a management action that encourages organizational members to fulfill the demands of various provisions (Siagian, 2016). This is supported by research by Willy Yusnandar et al. (2020), with analysis results showing that work discipline has a positive and significant effect on employee performance, then research from Anggi Maharani et al. (2022) with results that work discipline does not affect performance. The phenomenon of work discipline in the PUPR Department of Palembang City is characterized by employees still lacking discipline in obeying all agency regulations, such as often having problems with attendance, being late, not attending morning roll call, not complying with occupational safety and health (K3) rules. Attendance and written warning letters are considered just routine procedures. Employees need to be more disciplined and obedient in carrying out tasks given by the head of the agency so that work is completed late according to the specified time and not according to work goals and standards. If it continues and needs to be addressed, this serious phenomenon will hinder achieving the agency's performance goals.

The influence of leadership on the performance of Palembang City Public Works and Spatial Planning Department employees. According to Kasmir (2016), leadership is one factor that influences employee performance. Leadership is the leader's behavior in organizing, managing, and ordering his subordinates to carry out the tasks and responsibilities given to them to achieve the desired goals. The results of research conducted by Yandra Rivaldo et al. (2020) show that leadership significantly affects employee performance. Research from Indra Marjaya and Fajar Pasaribu (2019) showed that leadership had an insignificant negative effect on employee performance. The leadership phenomenon in the PUPR Department of Palembang City is characterized by a lack of leadership ability to provide work motivation and control subordinates to achieve goals, such as failing to reach targets for dealing with clean water quality, damaged roads, and puddles of water. Apart from that, the failure to achieve the

objectives of the SKP assessment means that the work standards of Palembang City PUPR Service employees tend to decline from year to year. Furthermore, employees also need leadership to appreciate employee competencies/skills and work results, resulting in employees carrying out work with low dedication. If this condition is not addressed carefully, it will affect the performance of employees and agencies.

The influence of work motivation on the performance of Palembang City Public Works and Spatial Planning Department employees. According to Kasmir (2016), motivation is one factor that can influence employee performance. Motivation is an encouragement for individuals, in this case, employees, to do work. If employees have strong encouragement, they will be stimulated or encouraged to improve performance. This aligns with research conducted by Widhi Wicaksono (2021), whose study shows that motivation has a positive and significant effect on performance. Research from Bukhari and Sjahril Effendi Pasaribu (2019) showed that motivation has no significant impact on performance. Work motivation in the PUPR Department of Palembang City is characterized by a lack of employee work motivation to improve work performance and develop individual abilities. Employees look less comfortable in the climate where they work. Apart from that, some employees show high stress at work. Employees are not interested in showing their best abilities, fear job risks, and must take the initiative to work. Apart from that, leadership is also not good at recognizing employees' competence, skills, and knowledge and does not appreciate the work done. These phenomena will affect performance, so agency performance results do not meet the desired goals and work standards.

3. Research Method

The research object is at the Office of the Public Works and Spatial Planning Department of Palembang City, located at Jl. Slamet Riyadi no 213 Lawang Kidul Village, Ilir Timur II District. The Palembang City Public Works and Spatial Planning Service was formed based on Palembang City Regional Regulation Number 7 of 2012 concerning amendments to Palembang City Regional Regulation Number 9 of 2008 concerning the Establishment of the Palembang City Public Works and Spatial Planning Service organization. The exogenous (independent) variables are discipline (ξ_1 or X_1) with indicators is Attendance rate, work procedures, and Obedience to superiors; and leadership (ξ_2 or X_2) with indicators of Ability to make decisions, 2. ability to motivate, and ability to control subordinates; while the endogenous (dependent) variables are motivation (η_1 or Y) with indicator is working conditions; Work Performance, and recognition from superiors. Performance (η_2 or Z) with indicator is objective, work standard, and competence before these variables were used as measuring tools in this research. The population used in this research was all employees at the Public Works and Spatial Planning Department of Palembang City (PUPR), totaling 182 people. The formula used to calculate the sample is the Slovin formula, with an error rate of 5% or 0.05. The sample that will be used in research on employees of the Public Works and Spatial Planning Department of Palembang City is 126 employees. The sampling technique above uses probability and cluster sampling techniques. The data collection method used in this research is a questionnaire, namely answers from respondents to a series of questions related to the influence of discipline, leadership, and work motivation on the performance of the Palembang City Public Works Department (PUPR) by the indicators that researchers used. The data analysis technique for measuring the variables in this research uses capital equation structural equation modeling (SEM).

4. Findings and Discussions

4.1. Confirmatory Factor Analysis

This analysis was carried out on all constructs separately in order to test the measurement model through evaluation of construct validity and construct reliability.

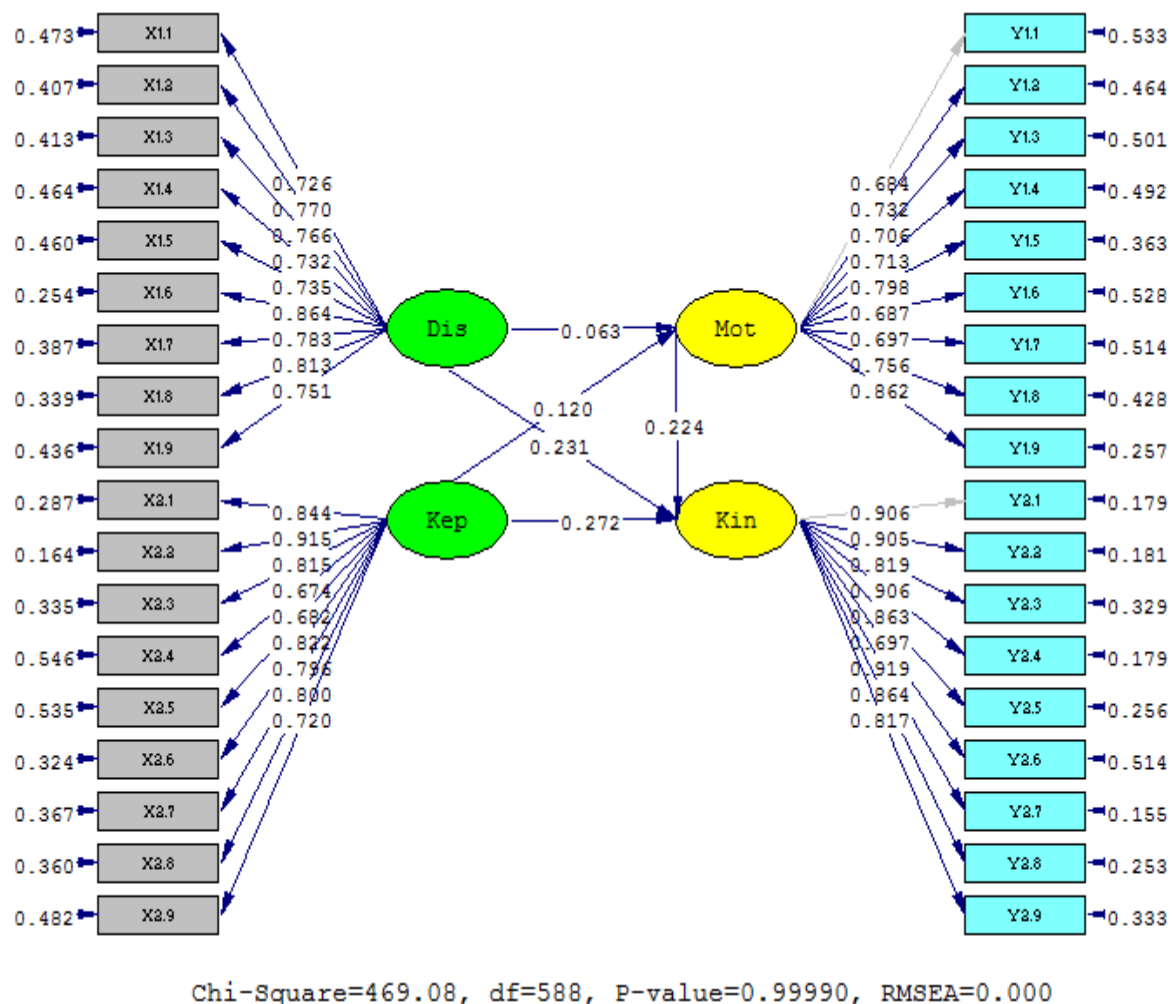


Figure 1. Confirmatory Factor Analysis (CFA)

Based on Figure 1, it shows that all loading factor variables have values greater than the error value. This shows that the CFA (Confirmatory Factor Analysis) examiner at the initial stage in the picture above has met the requirements for the next stage of testing.

4.2. Goodness of Fit

Based on Goodness of Fit results. A summary of the results of the model suitability test can be made as follows:

Table 1. Goodness of Fit

No.	Goodness of Fit Indices	Cut-Off Value	Hasil Penelitian	Tingkat Kecocokan
1	Chi-Square	< 645,521	469,079	Good Fit

No.	<i>Goodness of Fit Indices</i>	<i>Cut-Off Value</i>	Hasil Penelitian	Tingkat Kecocokan
2	P-Value	$> 0,05$	0.99990	Good Fit
3	RMSEA	$\leq 0,08$	0,000	Good Fit
4	SRMR	≤ 0.08	0,055	Good Fit
5	Nor. Chi-Square (X ² /DF)	< 2	0,798	Good Fit
6	NFI	≥ 0.90	0,936	Good Fit
7	TLI (NNFI)	≥ 0.90	1,007	Good Fit
8	CFI (RNI)	≥ 0.90	1,000	Good Fit
9	RFI	≥ 0.90	0.931	Good Fit
10	IFI	≥ 0.90	1,006	Good Fit
11	PNFI	≥ 0.50	0,873	Good Fit
12	PGFI	≥ 0.50	0,731	Good Fit

Based on Table 1, it can be concluded that the model is good because the overall goodness of fit index criteria are included in the good fit category, especially the P-Value value which is greater than 0.05 and the RMSEA value which is less than 0.05 so there is no need to model modifications were made.

4.3 t-value Result

The Influence of Discipline on Work Motivation of Palembang City Public Works and Spatial Planning (PUPR) Department Employees. Based on the test results, discipline positively affects work motivation. The test results using the lisrel application obtained a TValues value of 0.654 < 1.96. These results explain that discipline has a positive but not significant effect on work motivation. The results of this research are based on the theory of Saydam and Kadarisman in Erri & Fajrin (2018), who say that work discipline is one of the factors influencing work motivation. This research is in line with Amy Nurhuda et al. 's (2019) findings that work discipline has a positive but not significant effect on work motivation. However, this research is not in line with Yossi Maria Maritan Hutajulu et al. 's (2020) findings that work discipline has a positive and significant effect on work motivation. The reason this research is different from the research of Yossi Maria Maritan Hutajulu et al. (2020) is that it is based on several aspects, namely, the sample used in the research of Yossi Maria Maritan Hutajulu et al. (2020) was 48 samples. In contrast, there were 126 samples in this study. Yossi Maria Maritan Hutajulu et al. (2020) research sampling technique used a purposive sampling method, while in this study, a cluster sampling technique (sample area) was used. According to the analysis results obtained from the respondents' answers, it can be seen in the distribution of answers to the Discipline Variable that the problems are: (a) there are still some employees who come to work and leave work not at the specified time; (b) there are still employees carrying out supervision in Palembang City. Palembang City PUPR Service employees have yet to use standard procedures; (c) there are still Palembang City PUPR Service employees who are disrespectful and unable to communicate well with their superiors. Many employees still feel and have high levels of stress at work, and many have not received awards for their work achievements or recognition for their competence from the leadership. Researchers suggest that to increase employees' sense of discipline, leaders must pay more attention to employees who come to work and leave work not at the specified time. Then, in carrying out supervision, standard procedures have not been used, and employees are disrespectful and unable to communicate

well with superiors, so it is recommended to provide more intensive supervision by giving direct warnings from superiors to employees who frequently commit violations, giving appropriate sanctions to employees, which is deemed necessary. It has an effect on employees so that they don't do it again, so it is hoped that it will increase employee work motivation.

The Influence of Leadership on Work Motivation of Palembang City Public Works and Spatial Planning (PUPR) Department employees: A Crucial Insight for Leaders and Managers. Based on the test results, the direct influence of leadership variables positively affects work motivation. The test results using the lisrel application obtained a TValues value of $1.254 < 1.96$. These results explain that leadership has a positive but insignificant effect on work motivation. The results of this research are based on the theory of Saydam and Kadarisman in Erri & Fajrin (2018), who say that leadership is one of the factors influencing work motivation. This research is in line with research by Juniar Rosalina Widyawati (2021), which states that transformational leadership style does not significantly influence work motivation. However, this research is different from Harahap and Khair's (2019) research, which shows that work discipline has a positive and significant effect on work motivation. This research is different from research because it is based on several aspects, namely, the sample used in research was 145 samples. In contrast, there were 126 samples in this study, research used a quantitative descriptive method, while this research used a quantitative associative method. According to the analysis results obtained from the respondents' answers, it can be seen in the distribution of answers to the Leadership Variable that problems are: (a) there are still some employees who have not received motivation from the leadership in working either directly or in routine official meetings; (b) the leader is still unable to appreciate and praise success and enthusiasm for work; (c) the leader is still not proactive in solving problems. The result of this problem is that many employees still feel and have high stress levels at work, many employees have not received awards for their work achievements, and many employees feel they have not received recognition for their competence from the leadership. Researchers suggest that leaders have the potential to improve work motivation among employees significantly. By appreciating and praising success and enthusiasm for work and by being proactive in resolving problems, leaders can create a more motivated and productive work environment in the Palembang City public works and spatial planning department.

The Influence of Discipline on the Performance of Palembang City Public Works and Spatial Planning (PUPR) Department Employees. The test results show that the direct influence of discipline variables positively affects employee performance. The Lisrel application test results obtained a T-Values value of $2.660 > 1.96$. These results explain that discipline positively and significantly affects employee performance. The results of this research are by Kasmir's (2016) theory, which states that one factor influencing employee performance is discipline. High work discipline also influences performance optimization. This research aligns with Willy Yusnandar et al. 's (2020) findings that work discipline has a positive and significant effect on performance. However, this research does not align with Maharani et al. 's (2022) findings that work discipline has no impact on employee performance.

This research is different from the research of Maharani et al. (2022) because it is based on several aspects, namely, the sample used by the research of Anggi Maharani et al. (2022)—problem focus. So, the research sample was 60 people, whereas, in this study, there were 126 samples. According to the analysis results obtained from the respondents' answers, it can be seen in the distribution of answers to the Discipline Variable that the problems are: (a) there are still some employees who come to Work and leave Work not at the specified time; (b) there are

still employees carrying out supervision in Palembang City. Palembang City PUPR Service employees have not used standard procedures; (c) there are still Palembang City PUPR Service employees who are disrespectful and unable to communicate well with their superiors. The consequences of this problem can be seen in Table IV.12, namely that not all employees have work targets that are in line with expectations and are optimal, not all employees carry out SKP in an outstanding category, and many employees still feel they have not had the opportunity to improve their knowledge and skills at Work. Researchers suggest that to increase employees' sense of discipline, leaders must pay more attention to employees who come to work and leave Work not at the specified time. Then, standard procedures have not been used in carrying out supervision, and employees are disrespectful and unable to communicate well with superiors, so it is recommended to provide more intensive supervision by giving direct warnings from superiors to employees who frequently commit violations and giving appropriate sanctions to employees who are deemed necessary. It affects employees so they don't repeat it, and it is hoped to improve employee performance.

The Influence of Leadership on the Performance of Palembang City Public Works and Spatial Planning (PUPR) Department Employees. Based on the test results, the direct influence of leadership variables positively affects employee performance. The test results using the lisrel application obtained a t-values t-value of $3.111 > 1.96$. These results explain that leadership positively and significantly affects employee performance. The results of this research are based on Kasmir's (2016) theory, which states that leadership is one of the factors influencing employee performance. Leadership is the leader's behavior in organizing, managing, and ordering subordinates to accomplish tasks and responsibilities to achieve the desired goals. This research is in line with Yandra Rivaldo et al. (2020), which states that leadership has a positive and significant effect on employee performance. However, this research is not in line with Indra Marjaya and Fajar Pasaribu (2019), which states that leadership has a negative and significant effect on employee performance. The reason this research is different from the research of Indra Marjaya and Fajar Pasaribu (2019) is because it is based on several aspects, namely, the sample used in the research of Indra Marjaya and Fajar Pasaribu (2019), the research sample used a saturated sample. With a population of 48 samples, this research used the Slovin formula for 126 samples. According to the analysis results obtained from the respondents' answers, it can be seen in the distribution of answers to the Leadership Variable that problems are: (a) there are still some employees who have not received motivation from the leadership in working either directly or in routine official meetings; (b) the leader is still unable to appreciate and praise success and enthusiasm for work; (c) the leader is still not proactive in solving problems. The result of this problem is that not all employees have work targets that meet expectations and are optimal. Not all employees carry out SKP in the very good category. There are still many employees who feel they have not had the opportunity to improve their knowledge and skills at work. Researchers suggest that leaders can improve employee performance. Then, the leader must be able to appreciate and praise success and enthusiasm for work; then, the leader must be proactive in resolving problems in the Palembang City public works and spatial planning department so that it is hoped that leadership will be able to improve employee performance.

The Influence of Work Motivation on the Performance of Palembang City Public Works and Spatial Planning (PUPR) Department employees. Based on the research results, it is known that the direct influence of work motivation variables has a positive effect on employee performance. The test results using the lisrel application obtained a TValues value of

2.501>1.96. These results indicate that work motivation has a significant effect on employee performance. The results of this research are in accordance with the theory according to Kasmir (2016) which states that one of the factors influencing employee performance is work motivation. Work motivation is an encouragement for individuals or in this case employees to do work. This research is in line with research conducted by Widhi Wicaksono et al (2021) that work motivation has a positive and significant effect on employee performance. However, this research is not in line with research conducted by Bukhari and Sjahril Effendi Pasaribu (2019) which states that work motivation has no significant effect on employee performance. The reason this research is different from Bukhari and Sjahril Effendi Pasaribu's (2019) research is because it is based on several aspects, namely, the sample used in Bukhari and Sjahril Effendi Pasaribu's (2019) research with a population of 57 samples, whereas in this study there were 126 samples. According to the analysis results obtained from the respondents' answers, it can be seen in the distribution of answers to the work motivation variable that problems are: (a) there are still some employees who feel and have high levels of stress at work; (b) there are still employees who have not received awards for their work achievements; (c) there are still many employees who feel they have not received recognition for their competence. The result of this problem is that not all employees have work targets that meet expectations and are optimal, then not all employees carry out SKP in the very good category, there are still many employees who feel they have not had the opportunity to improve their knowledge and skills at work. Researchers suggest that leaders always provide work motivation and enthusiasm to employees so that employees can be motivated to work better, then leaders must provide employee comfort at work so that employees do not feel and have high levels of stress at work. Leaders can give awards for the work achievements that employees have achieved. Leaders can also provide recognition of their competencies to employees, so it is very important for leaders to increase the sense of harmonization so that later it is hoped that work motivation can run well and in accordance with what the organization and employees want so that it can improve performance for employees in the future.

The Influence of Discipline on the Performance of Palembang City Public Works and Spatial Planning (PUPR) Employees with Work Motivation as an Intervening Variable. Based on the test results, the direct effect of discipline on performance is 0.231, while the indirect effect of discipline on performance with work motivation as an intervening variable is 0.051. This means that work motivation strengthens the influence of discipline on performance. This statement is based on the results of distributing questionnaires and responses to existing statements; this shows that discipline influences performance through the intervening variable of work motivation, with the results of the questionnaire statement from the Work Motivation variable being dominated by respondents' answers strongly disagreeing and disagreeing, even neutral, relatively high. However, out of 126 respondents, some respondents agreed and strongly agreed.

The Influence of Leadership on the Performance of Palembang City Public Works and Spatial Planning (PUPR) Employees with Work Motivation as an Intervening Variable. Based on the test results, the direct influence of leadership on performance is 0.272, while the indirect influence of leadership on performance with work motivation as an intervening variable is 0.060. Work motivation strengthens the impact of leadership on performance. This statement is based on the results of distributing questionnaires and responses to existing statements; this shows that leadership influences performance through the intervening variable of work motivation with the results of statements on the questionnaire from the Work Motivation Variable dominated by respondents' answers strongly disagree and disagree and even neutral is

relatively high However, from 126 respondents some respondents agreed and strongly agreed.

5. Conclusion

It can be concluded that there is a positive and significant effect of discipline and leadership on employee performance and motivation. To increase the sense of discipline towards employee motivation, leaders must pay attention to employees who come to work and leave work not at the specified time. Then, in carrying out supervision, standard procedures have not been used, and employees are disrespectful and unable to communicate well with superiors, so it is recommended to provide more intensive supervision by giving direct warnings from superiors to employees who frequently commit violations, giving appropriate sanctions to employees, which is deemed necessary. It affects employees so they don't repeat it, and it is hoped to increase employee motivation. Researchers suggest that leaders have the potential to significantly improve work motivation among employees. By appreciating and praising success and enthusiasm for work, and by being proactive in resolving problems, leaders can create a more motivated and productive work environment in the Palembang City public works and spatial planning department. To increase work motivation and performance, leaders must provide employees with comfort at work so that employees do not feel high-stress levels. Leaders can give awards for the work achievements that employees have achieved. Leaders can also provide recognition of their competencies to employees. Hence, leaders need to increase the sense of harmonization so that later, it is hoped that work motivation can run well, and by what the organization and employees want, motivation can improve employee performance.

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Understanding and Managing Job Stress in the Service Sector: A Literature Review

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Abstract

Job stress is an integral aspect of human resource development dynamics within organizations. This literature review investigates job stress, highlighting its prevalence as a critical issue for employees in various service sectors, such as healthcare, hospitality, banking, consumer, and courier services. The study sets out to accomplish two primary goals: firstly, to delineate the factors that contribute to job stress, and secondly, to evaluate the repercussions of job stress on employees. By examining insights from ten prior studies, we identify a comprehensive array of internal and external factors that intensify job stress. We further explore the influence of these stressors on vital outcomes, including turnover intentions, employee performance, and burnout. Our findings reveal that job stress significantly impacts employees' intentions to leave. Nonetheless, effectively managing job stress can foster positive outcomes for organizations. These insights underscore the critical need for management in the service sector to grasp the complex origins of job stress fully. Armed with this understanding, they can devise and implement strategies to reduce turnover intentions, bolstering overall organizational performance.

Keywords: Job Stress, Turnover Intention, Job Stress Management, Service Sector.

JEL CODES: M10, M21, M55

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1. Introduction

Job stress manifests as a reaction to perceived threats in the workplace, symbolizing a detrimental interaction between the individual and their professional environment. Two primary models dominate the academic discourse surrounding job stress: the transactional and the interactionist approaches. The transactional model accentuates the genesis of stress through the interaction between an individual and their work environment, whereas the interactionist perspective portrays stress as the dynamic outcome of this interaction (Mansour & Tremblay,

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2018). This study aims to articulate the diverse factors inducing job stress, their subsequent impacts, and the imperative for organizations to address this significant concern.

The Royal Society for the Prevention of Accidents (2008) disclosed that, annually, in the UK, 350 fatalities occur at the workplace, along with over 36 million days lost due to work-related accidents and ill-health (Armstrong, 2009). Stress at work emerges as a key factor affecting employee health. A rising trend in job stress has been observed, escalating worries over its influence on mental health (Virtanen, 2007).

The World Health Organization has labeled stress the "Health Epidemic of the 21st Century." Stress is costing American businesses up to \$300 billion a year. Over 50% of Americans encounter stress, negatively impacting their work productivity. Stress levels have increased by 10-30% among all demographic groups in the United States from 1983 to 2009 (Fink, 2006).

Furthermore, a study by Mercer Marsh Benefit (MMB) revealed that nearly 37% of employees in Indonesia, approximately two out of five individuals, experienced work-related stress during the pandemic. While this rate is lower than 51% in Asia and the global rate of 50%, it remains significant (Halidi, 2021).

Creating a safe and healthy work environment and reducing hazards that may jeopardize health and safety to the fullest extent possible is a collective responsibility shared by everyone in an organization (Armstrong, 2009). Nonetheless, various factors can precipitate stress (Akca & Küçükoğlu, 2020), such as time pressure relating to qualitative workload and multi-tasking, both of which have detrimental effects on human life (Schmoldt et al., 1994). Stress generally influences human behavior (Schlegel, 1993) and can lead to burnout (Kim et al., 2007).

Considering this context, this study aims to uncover the factors triggering stress and its impacts on employees in the service sector, a sector chosen due to its higher pressures and greater job stress than others (Cheng & Kao, 2022). Through a literature review of ten articles from prior research, this study identifies areas for further exploration, providing a valuable foundation for academics interested in studying job stress.

The key objectives of this study are:

1. To identify the factors contributing to job stress.
2. To understand the impacts resulting from job stress.

Given the aforementioned background, this study endeavors to address the following research questions:

1. What primary factors precipitate job stress in the service sector?
2. What are the consequential impacts of job stress on employees within this sector?

2. Literature Review

2.1. Stress

Stress, an intensely personal phenomenon, manifests differently across individuals, contingent upon their respective levels of vulnerability, resilience, and the diversity of tasks they undertake (Fink, 2006). The complexity and individuality of stress render it elusive to define, with its significance fluctuating under different circumstances. Stressful work situations are often characterized by heightened arousal and anxiety in response to uncontrollable, aversive

challenges, typically inducing sensations of fear and anxiety (Fink, 2006). Recent research, aimed at exploring work stress across various professions, has particularly delved into the factors influencing work stress within the hospitality industry. In this sector, researchers found that daily, weekly, and annual work events consistently precipitate transition moments triggering job stress in any division. Given the service-oriented nature of the hospitality industry, which prioritizes customer satisfaction, this research provides an insider perspective on how stress impacts this specific workforce (Yusriani et al., 2023).

Further, previous studies have elucidated the multifaceted nature of stress, highlighting the role of psychological resilience, workplace environment, and organizational support in mediating stress outcomes. For example, Lazarus and Folkman's (1984) stress appraisal model emphasizes the significance of personal appraisal in stress perception, suggesting that individuals' assessment of a potential stressor as threatening or manageable can significantly influence their stress response. Moreover, workplace wellness programs have gained traction, with evidence suggesting that such interventions can mitigate stress levels and enhance overall employee well-being (Richardson & Rothstein, 2008).

Technological advances and the increasing prevalence of remote work have introduced new dimensions to work-related stress. Research by Srivastava, et al. (2020) underscores the dual-edged nature of remote work, which, while offering flexibility and autonomy, can also blur the boundaries between work and personal life, potentially exacerbating stress.

Understanding stress within the hospitality industry, and more broadly across professions, requires a holistic approach that considers individual differences, organizational culture, and the evolving nature of work environments. As the body of literature on stress continues to grow, it becomes increasingly clear that addressing work-related stress requires multifaceted strategies encompassing individual resilience-building, organizational support mechanisms, and adaptive work practices.

2.2. Job Stress

Job stress epitomizes an adverse interaction between the individual and their work environment. It may arise when any component of the work environment is perceived as a threat (Beehr & Newman, 1978). Two fundamental approaches to understanding job stress are the transactional and interactionist models. The transactional model accentuates the interplay between an individual and their work environment in the emergence of stress. Conversely, the interactionist model posits that stress is the outcome of a dynamic relationship between the individual and their environment (Mansour & Tremblay, 2018). Job stress can be characterized as an employee's subjective emotional response to their environment, wherein failing to achieve significant goals or outcomes may induce physical and psychological stress. Furthermore, job stress can potentially deteriorate employees' physical and mental health (Cheng & Kao, 2022).

2.3. Service Sector

As a vital component of modern economies, the tertiary or service sector significantly bolsters GDP and employment across numerous countries (OECD, 2021). This multifaceted sector encompasses various industries including but not limited to healthcare, hospitality, banking, education, and retail (Armstrong, 2009).

The service sector is uniquely characterized by the immediate provision of services to consumers, involving heightened interaction with customers. This can often translate into

significant stress triggers for employees (Cheng & Kao, 2022). The demands of maintaining high service quality, negotiating with demanding customers, and meeting rigorous performance objectives can be stress-inducing and emotionally taxing for service employees (Huang et al., 2019).

Certain service sectors, such as healthcare and hospitality, are particularly marked by prolonged working hours, unpredictable scheduling, and intensive emotional labor. These factors contribute to a greater vulnerability to job stress among employees in these fields (Kim et al., 2007). As such, the service sector stands apart in presenting specific challenges and stressors that differentiate it from other industrial sectors (Schmoldt et al., 1994).

The COVID-19 pandemic has further intensified the complexities of job stress in the service sector. In Indonesia, for example, around 37 percent of service sector employees reported experiencing work-related stress during the pandemic, a figure that is only slightly lower than the global and Asian averages (Halidi, 2021). Reflecting on this, Yusriani (2023) emphasized that the widespread experience of job stress during the pandemic has yielded invaluable lessons and insights.

These findings highlight the pressing need for a deeper understanding and strategic intervention to mitigate job stress within the service sector, given its potential to negatively impact both employee welfare and organizational effectiveness.

3. Research Method

The methodology employs a qualitative approach, analyzing previous studies. Researchers selected recent articles with diverse citation counts and service sector variants, guided by discussions in the completion of academic assignments (Tracy et al., 2019). These articles serve as empirical evidence and align with the goal of fostering innovative thinking in research related to Human Resource Development.

This investigation was executed through a systematic review of ten scholarly articles, published between 2017 and 2023. Scholars aim to acquire more knowledge and gain new insights to inform future research directions. This literature-based research aimed to identify variables contributing to stress and clarify the effects of stress within the service industry. Specifically, this study explored sectors including health, hospitality, banking, consumer, and courier services. The comprehensive review of these diverse areas sheds light on the multifaceted nature of stress in different service environments and paves the way for developing targeted interventions and strategies to mitigate stress and enhance employee well-being across various service sectors.

4. Findings and Discussions

Organizations have four primary motivations for addressing job stress. First, they bear a societal obligation to ensure a high-quality work environment. Second, unchecked stress can precipitate various health conditions. Third, stress can result in an inability to meet work demands, subsequently amplifying employee stress levels. Finally, elevated stress can diminish both employee and organizational effectiveness (Armstrong, 2009).

A comprehensive understanding of stress triggers and their repercussions can help identify the root causes of stress. This, in turn, empowers both individuals and organizations to undertake preventative measures to mitigate the adverse impact of stress on employees. An examination of ten pertinent studies revealed a significant research interest in the domain of job stress.

Tables below summarize the findings from ten previous studies, detailing the potential variables contributing to job stress and their implications.

Table 1: Summary of Previous Research.

No	Author, Year	Research methods	Variables	Result
1	Mulyani & Gunawan (2017)	The quantitative study with a sample of 164 customer service courier services	- Leadership style - Job satisfaction - Job stress - turnover intention	- There is a negative and significant influence of leadership style and job satisfaction on turnover intention through job stress. - Job stress is very dominant mediator of the effect of leadership style and job satisfaction on turnover intention
2	Ramli (2018)	This study conducted in a private hospital in Jakarta.	- Job stress - organizational commitment - employee performance	- Job stress gives a negative impact on organizational commitment and employee performance
3	Mansour & Tremblay (2018)	The quantitative study on a sample of 258 staff in the hospitality industry in Quebec	- Work–family conflict (WFC) - Family–work conflict (FWC) - Job stress - Burnout - Intention to leave	- Perceived need for childcare moderates the relationship between FWC, job stress, and burnout
4	Kurniawaty et al. (2019)	A quantitative study with a sample of 100 Bank Mandiri employees	- Work environment - Stress - Job satisfaction - Employees' turnover intention	- The work environment has a positive and significant effect on job satisfaction. - Stress has a significant negative impact on job satisfaction. - The work environment negatively impact on turnover intention significantly - Stress causes turnover intention positively and significantly - Job satisfaction causes turnover intention significantly

Table 2: Summary of Previous Research (continued).

No	Author, Year	Research methods	Variables	Result
5	Vui- Yee & Yen-Hwa (2020)	The quantitative study of 44 employees from the consumer service sector in Malaysia	- Ostracism - Job stress - job autonomy - turnover intention -	- Employees' perceived workplace ostracism leads to job stress, which in turn results in negative behaviors such as turnover intention. - Job autonomy moderates the mediated relationship, where the relationship is stronger with lower levels of job autonomy.
6	Ravari et al. (2020)	The experimental study of 80 nurses working in affiliated emergency departments with the faculty of medicine at universities in Iran	- Job stress - Time management training intervention	- There was no statistically significant difference in job stress scores after the time management training intervention
7	Siddiqui et al. (2021)	The study involved 220 healthy staff members from a Beijing hospital.	- Job stress - leader position - Self-control - Resistance to temptation	- Poor physical and mental health conditions are significantly associated with poor self-control and higher job stress. - Job stress has a negative correlation with self-control
8	Kim (2022)	Survey of 135 adult women who work in banks	- Job stress - coping strategies, - Meaning of life - Resilience - quality of working life	- Psychological well-being is positively correlated with social support-seeking mechanisms, problem-solving-focused coping mechanisms, meaning in life, and resilience. - Psychological well-being shows a negative correlation with job stress and avoidance-focused coping mechanisms. - Factors that affect psychological well-being are coping mechanisms that focus on problem-solving, job role stress,

meaning in life, coping mechanisms that focus on avoidance, and resilience.

Table 3: Summary of Previous Research (continued).

No	Author, Year	Research methods	Variables	Result
9	Cheng & Kao (2022)	The online survey on hotel's employee in Taiwan in 2021	- Job stress activation - Employees' job satisfaction - Hotels' business performances	- Job stress has a mediating effect on the relationship between employee job satisfaction and hotel business performance. - Organizational resilience has a moderating effect
10	Ergun et al. (2023)	Quantitative study on hotels in Türkiye	- Job insecurity perception - Job stress - Psychological capital - turnover intention	- Perceived job insecurity positively affect job stress and turnover intention - Job stress causes switching intentions.

Source: previous research results, processed (2023)

Upon examining the referenced studies, various insights pertaining to job stress were unveiled. These findings, categorized under two major sections, are described as follows:

4.1. Factors Inducing Job Stress

Table 1 encapsulates several potential triggers for job stress experienced by employees. These stressors can broadly be divided into internal and external sources:

a. Internal Factors

Employees' perceptions of certain internal factors can influence their job stress levels. These factors include perceived job satisfaction (Mulyani & Gunawan, 2017), job insecurity (Ergun et al., 2023), psychological well-being (Kim, 2022), physical and mental health conditions, self-control (Siddiqui et al., 2021), workplace ostracization (Vui-Yee & Yen-Hwa, 2020), and family-work conflict (FWC) (Mansour & Tremblay, 2018). The empirical evidence suggests these aspects can significantly reduce employee job stress.

b. External Factors

Various work-related external factors can also lead to job stress, such as leadership style (Mulyani & Gunawan, 2017) and job demands (Ravari et al., 2020). Interestingly, management interventions aiming at enhancing time management skills did not appear to alleviate stress (Ravari et al., 2020), indicating the existence of other work-related factors instigating stress. For instance, Ravari et al., (2020) noted that, despite the implementation of time management training, the stress levels among nurses remained high, suggesting that other variables, such as work experience and overtime hours, could be influencing stress levels. As Cheng & Kao,

(2022) stated, excessive work pressure in a highly competitive environment can inflict adverse physical and mental effects, impeding organizational performance.

4.2. Impact of Job Stress

Job stress exerts detrimental effects on individual employees, most notably, sparking turnover intentions (Mulyani & Gunawan, 2017; Kurniawaty et al., 2019; Mansour & Tremblay, 2018; Vui-Yee & Yen-Hwa, 2020; Ergun et al., 2023), diminishing organizational commitment, degrading employee performance (Ramli, 2018), and leading to burnout (Mansour & Tremblay, 2018). Most of the referenced studies indicated that job stress often prompts employees to seek employment elsewhere, correlating with decreased commitment and performance. However, research has also unveiled instances where job stress positively influenced job satisfaction, thereby improving organizational performance, provided organizational resilience was sufficiently robust (Cheng & Kao, 2022). Hence, job stress, when managed effectively, can yield positive outcomes (Kim, 2022; Lazarus et al., 1984; Yusriani S. et al., 2023; Akca et al., 2020).

Managerial Implications, Limitations, and Future Research

The findings of this study hold implications for service industry management. They emphasize the need to comprehend and manage factors inducing job stress, thereby preventing detrimental impacts on organizational stability. Consequently, implementing effective job stress management in the work environment cannot be overstated.

This study's limitations lie in its reliance on only ten prior studies without conducting verification tests, potentially leading to conclusions that might lack comprehensive validity. Future research should focus on verification tests examining how job satisfaction, job insecurity, psychological well-being, physical and mental health conditions, self-control, feelings of being ostracized at work, and family-work conflict influence job stress. Further, the impact of job stress on turnover intention should be examined, with job stress management as a potential moderating variable. This could shed light on how effective job stress management strategies can enhance or dampen the effect of job stress on turnover intention.

5. Conclusion

This study aimed to illuminate the multifaceted factors contributing to job stress and its consequential effects on employees within the service sector. Identifying both internal and external triggers, the research highlights how job stress can precipitate turnover intentions, diminish organizational commitment, impair employee performance, and provoke burnout. However, the findings also underscore the transformative potential of effective job stress management strategies. By comprehensively understanding and addressing the roots of job stress, organizations can not only alleviate these negative outcomes but also foster a more resilient, engaged, and productive workforce. Ultimately, this investigation serves as a clarion call for service sector management to prioritize the development and implementation of robust stress management interventions, thereby enhancing both employee well-being and organizational success.

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