

The Influence of Service Quality and Non-Performing Loans On Customer Satisfaction at BPR Eka Dana Mandiri, Malang City

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| INDEXING | ABSTRACT |
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| Keywords: Keyword 1; Quality of Service Keyword 2; Non-performing loan Keyword 3; Customer Satisfaction Keyword 4; Rural Bank Keyword 5; Malang | Rural Banks (BPRs) are financial institutions that play an important role in supporting communities by providing credit, particularly to small and medium-sized enterprise (SME) entrepreneurs. This study aims to examine the effects of service quality and non-performing loans on customer satisfaction at BPR Eka Dana Mandiri in Malang City. The research employs multiple linear regression analysis. Data were collected through questionnaires distributed to customers and analyzed using quantitative associative methods. Based on responses from 89 respondents, the results indicate that good, friendly, and professional service significantly increases customer satisfaction. In contrast, non-performing loans have a negative and significant effect on customer satisfaction. Simultaneously, service quality and non-performing loans influence customer satisfaction, with a contribution of 30.6% |

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INTRODUCTION

Current economic development in Indonesia requires sustained growth support as a manifestation of the government's objective to enhance societal welfare (Gunawan et al., 2024). Rural Banks (BPRs) play a strategic role in expanding financial access, particularly for MSME actors in remote areas. However, BPRs face complex economic pressures and increasingly intense competition. The main problem that frequently arises is Non-Performing Loans (NPLs), or bad credit, which can affect institutional stability. The urgency of this research lies in ensuring that consumers receive optimal service, given that service quality is a crucial determinant of customer satisfaction.

Previous studies in Indonesian banking contexts have consistently shown that service quality is a significant determinant of customer satisfaction Ivantan et al. (2022), Jeany & Siagian (2020), Azizah & Maskur (2023), Putri et al. (2025). The distinction between prior research and the present study lies in the focus and methodology, as most previous studies examined the effect of service quality on customer satisfaction using simple linear regression or path analysis and were limited to analyzing the relationship between service quality and customer satisfaction or loyalty. Moreover, the variables examined in previous studies were generally limited to service quality or promotion, without linking their effects to customer deposit growth as an indicator of financial performance. In addition, these studies were conducted in different institutional contexts, such as BPR, BPR Rokan Hilir Syariah X, and PT BPR Dana Nagoya, across varying periods of implementation, and have

not incorporated the most recent data.

Unlike previous studies, this research was conducted at BPR Ekadana Mandiri in Malang City and employs multiple linear regression analysis to examine the simultaneous effect of service quality on customer satisfaction, as well as its impact on customer deposit growth as the dependent variable. In addition, this study utilizes the most recent quantitative data collected directly from customers of BPR Ekadana Mandiri in Malang City in 2026, thereby enhancing the relevance and contextual validity of the findings under current conditions. By incorporating the variable of customer deposit growth, this study offers a stronger practical contribution to understanding the impact of service quality not only on customer perceptions but also on the bank's financial growth performance.

The urgency of this research lies in enhancing consumer satisfaction with the services provided. In addition, non-performing loans serve as a parameter for assessing whether the BPR has offered adequate convenience or relief to customers, particularly in relation to problematic loans. This research is also intended to fill the research gap in the field of financial management, particularly for BPR, focusing on non-performing loans, service, and customer satisfaction.

LITERATURE REVIEW

Empowerment of BPR

People's Credit Banks (BPRs) have existed since the nineteenth century, beginning with the establishment of Bank Kredit Rakyat and village granaries (Sofyan, 2024). The initial purpose of BPRs was to support wong cilik, or common people such as farmers, employees, and workers, who are vulnerable to exploitation by moneylenders. The fundamental objective of BPRs is to free communities from dependence on moneylenders who, despite offering practical requirements, impose excessively high costs or interest rates. Wijaya (2020) explains that the development of Rural Banks (BPRs) over time has experienced various fluctuations, encompassing both opportunities and challenges. BPRs began to receive greater attention following the issuance of Policy Package 88 (October 1988 Policy Package), which, among other provisions, facilitated the establishment of BPRs. According to available data as of September 2004, there were 2,164 BPRs across Indonesia, with a total business volume reaching IDR 16.01 trillion.

Based on the available data, the development of BPRs as of September 2004 is noteworthy in relation to their performance. First, in terms of the number of customers served, BPRs reached 7.85 million customers with total credit disbursement amounting to IDR 11.63 trillion. Second, with respect to operational coverage and the definition of micro and small enterprises, it can be confirmed that the majority of customers originated from micro and small business groups. Third, the Loan-to-Deposit Ratio (LDR) reached 79.50%, which is higher than the national LDR of commercial banks, which is approximately 60%.

Bank Management Risk

Haryati (2020) explains that traditional or conventional bank management is vulnerable to changes in risk factors. The complexity of banking operations requires comprehensive and accurate risk control. Prudent banking practices are expected when the risks faced are supported by adequate capital. Accordingly, international standards in banking supervision recommend the implementation of effective risk management and the maintenance of a Risk-Based Capital Adequacy Ratio (CAR).

BPR Bank Health Level

Yulandari (2020) explains that the soundness level of a Rural Bank (BPR) refers to its ability to conduct banking operations normally and to fulfill all obligations properly in accordance with applicable regulations. Assessing the soundness of a BPR is essential for evaluating its condition and identifying potential problems, as well as for determining appropriate follow-up actions, including improvements or supervisory measures by the Financial Services Authority (OJK).

Implementation of Governance in BPR Banks

Williy Abdilah (2025) explains that in recent decades, globalization has increasingly pressured businesses to adapt by enhancing integration efficiency through digital processes. According to the Southeast Asia Digital Economy research conducted by Google et al., the pandemic accelerated digital adoption, with 36% of digital service consumers identified as new users and 90% indicating an intention to continue these digital practices in the post-pandemic period. This transformation underscores the growing importance of digital transformation, which entails fundamental changes in organizational form, function, or structure through the use of digital technologies to create added value. Beyond traditional information technology, digital transformation also encompasses artificial intelligence, blockchain, robotics, virtual reality, as well as social media, mobile technologies, analytics, cloud computing, and the Internet of Things (IoT). Traditional business strategies and conventional IT governance are increasingly affected by the rapidly evolving digital technology landscape.

Digital transformation in Indonesia has become a national priority to encourage the economic sector to adapt to the digital revolution, as outlined in the Indonesian Financial Services Sector Master Plan 2021–2025. The Financial Services Authority (OJK) encourages institutions such as People's Credit Banks (BPRs) to innovate by providing digital financial services, particularly for micro, small, and medium enterprises (MSMEs) in their respective regions. BPRs have a minimum core capital of IDR 6 billion, which is considerably smaller than that of commercial banks, whose minimum core capital is IDR 3 trillion. Due to their relatively small scale compared to commercial banks, BPRs are considered digital SMEs within the banking sector and are also regarded as established SMEs that have been disrupted by technological advancements.

Quality of Service

Nenden Nur Annisa (2025) states that service quality refers to the level of excellence expected and the degree of control over that excellence to meet customer expectations. It encompasses the entire customer experience during interactions with a brand or company, with a focus on fulfilling customer needs and requirements in a timely manner.

The level of service quality is a crucial aspect in the provision of comprehensive services. Service quality is one of the key factors used by customers to evaluate a company's service performance in comparison with that of other companies.

Credit

Rdaeng Naja (2005) explains that credit refers to the provision of a benefit, such as money or goods or services, by one party to another, with the agreement that the benefit will be repaid at a later date, typically accompanied by interest or other charges as

compensation for the use of the funds or goods.

1. Key elements in credit:
 - a. Trust: the lender must have confidence in the ability and willingness of the borrower to fulfill their obligations.
 - b. Risk: There is always a risk of default borne by the lender.
 - c. Time: Credit involves deferred payment, so the aspect of time becomes crucial.
 - d. Economic exchange: Credit facilitates economic exchange by allowing individuals or entities to gain access to the resources they need now and pay for them in the future.

Customer Satisfaction

Xie and Sun (2021) explains that satisfaction is a function of perceived performance and expectations. When performance falls below expectations, customers experience dissatisfaction; when performance meets expectations, customers are satisfied; and when performance exceeds expectations, customers become very satisfied, happy, or delighted. Much of the emphasis in satisfaction studies is placed on achieving high levels of satisfaction, as customers with only moderate satisfaction may easily switch to alternative offerings if presented with better options. Conversely, customers who are highly satisfied are less likely to change their choices. High levels of satisfaction foster emotional attachment to specific products, which in turn lead to strong customer loyalty.

Customer expectations are shaped by past experiences, feedback from relatives, as well as promises and information conveyed by marketers and competitors. Satisfied customers tend to remain loyal for longer periods, exhibit lower price sensitivity, and provide positive feedback about the bank. To achieve customer satisfaction, banks must develop and manage systems that not only attract new customers but also enhance their ability to retain existing ones.

RESEARCH METHOD

This study employs an associative quantitative approach. Data analysis was conducted by processing questionnaire data using the SPSS software. The analytical model applied is multiple linear regression, expressed by the equation $Y = a + X_1 + X_2 + e$. Instrument testing includes validity and reliability assessments, while hypothesis testing is performed using t-tests (partial), F-tests (simultaneous), and the coefficient of determination (R^2).

Interviews may be used as a data collection technique when researchers intend to conduct a preliminary study to identify issues requiring further investigation, as well as to obtain more in-depth insights from respondents, particularly when the number of respondents is relatively small. In this study, interviews were conducted with customers of BPR Eka Dana Mandiri in Malang City to obtain preliminary information related to loan services, non-performing loans, and customer satisfaction.

In addition, the researcher employed a questionnaire as a data collection technique, which involved providing a set of written questions or statements for respondents to answer. The questionnaire in this study utilized a five-point Likert scale to measure the variables of service quality, non-performing loans, and customer satisfaction at Kotamalang. The sample size consisted of 89 respondents, determined using the Slovin formula, and random sampling was applied. Finally, the researcher employed documentation as a data collection technique. Sugiyono (2018:476) explains that

documentation is a method used to obtain data and information in the form of books, archives, documents, numerical records, and images, as well as reports and other information that can support research, observation, and interviews. Through this method, important data are less likely to be overlooked during the research process. In this study, the documentation technique was used to obtain secondary data related to the number of BPR customers in Malang City.

RESULT AND DISCUSSION

t-test

The t-test is used to test the partial significance of the independent variable on the dependent variable. The t-test is conducted by comparing the calculated t (t-count) with the table t (t-table). The criteria used for this test are:

1. If $t_{\text{count}} > t_{\text{table}}$, then there is a relationship between the independent variable and the dependent variable
2. If $t_{\text{calculated}} < t_{\text{table}}$, then there is no relationship between the independent variable and the dependent variable.

As for hypothesis testing, it can be presented in the following table:

Table 1. t-test

| Coefficients ^a | | | | | | |
|---------------------------|--------------------|-----------------------------|------------|---------------------------|--------|------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 8.989 | 1.651 | | 5.446 | .000 |
| | X1 Service Quality | .284 | .061 | .430 | 4.656 | .000 |
| | X2 Bad Credit | -.108 | .046 | -.216 | -2.341 | .021 |

Source: Processed primary data, (2026)

The Influence of Service Quality (X₁): Based on the t-test results, the calculated t-value for service quality (X₁) is 4.656, which exceeds the t-table value of 1.984, with a significance level of 0.000 (< 0.05). These results indicate that service quality has a positive and significant effect on customer satisfaction. Customers place high value on time efficiency and ease of access at BPR Eka Dana Mandiri.

The Effect of Non-Performing Loans (X₂): Based on the results of the partial hypothesis test, the Non-Performing Loans variable has a calculated t-value of -2.341, which exceeds the t-table value of 1.985, with a significance level of 0.021, which is below the 0.05 threshold. These results indicate that the second hypothesis (H_{a2}) is accepted, meaning that Non-Performing Loans have a significant effect on customer satisfaction at BPR Eka Dana Mandiri in Malang City. The negative sign of the t-value indicates an inverse relationship, whereby an increase in the level or risk of non-performing loans significantly reduces customer satisfaction, highlighting the importance of sound credit management in maintaining customer trust and satisfaction.

Collectively, service quality and non-performing loans have a significant effect on customer satisfaction, with a coefficient of determination (Adjusted R²) of 0.306. This indicates that these two variables explain 30.6% of the variation in customer satisfaction, while the remaining 69.4% is influenced by other factors not included in the model.

Model Test (F-Statistic Test)

The F-statistic test is employed to examine the ability of all independent variables collectively to explain the dependent variable. The test is conducted at a significance level of 0.05 ($\alpha = 5\%$). The analytical criteria are as follows:

- a. If the significance is > 0.05 , it means that collectively the independent variables do not have a significant effect on the dependent variable
- b. If the significance is < 0.05 , it means that together the independent variables have a significant effect on the dependent variable.

The following presents the F significance test in this study:

Table 2. F-test

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|----|-------------|--------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 62.556 | 2 | 31.278 | 21.425 | .000 ^b |
| | Residual | 141.604 | 97 | 1.460 | | |
| | Total | 204.160 | 99 | | | |

Source: Processed primary data, (2026)

Based on Table 2, the results of the Mean Square calculation yield an F-statistic value of 21.425 with a significance level of 0.000. Meanwhile, the critical F-table value at a significance level of 5% and degrees of freedom (df) of 100 is 3.09. Since the calculated F value (21.425) exceeds the F-table value (3.09), the alternative hypothesis (H_a) is accepted. This indicates that service quality (X_1) and bad debt (X_2) simultaneously have a positive and significant effect on customer satisfaction (Y) in utilizing the services of BPR Eka Dana Mandiri, Malang City. Furthermore, these findings are consistent with previous research conducted by Zakaria et al. (2017), which demonstrated that service quality, product quality, and price have a positive and significant effect on customer satisfaction.

Coefficient of Determination (R²)

The linear relationship between service quality (X_1) and non-performing loans (X_2) on customer satisfaction (Y) can be examined using the multiple correlation coefficient and the coefficient of determination. These coefficients explain the strength of the simultaneous relationship between the independent variables and the dependent variable. The correlation coefficient ranges from -1 to $+1$, where values closer to or equal to $+1$ indicate a stronger relationship between the variables, and vice versa. The multiple coefficient of determination explains the magnitude of the simultaneous influence of the independent variables on the dependent variable. Based on the correlation results, the coefficient of determination (R²) can be identified, which describes the extent of the contribution of the relationship between one variable and another. The relationship between the independent variables and the dependent variable is presented in the SPSS output shown in Table 3 below.

Table 3. F-test

| Model Summary ^b | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .554 ^a | .306 | .292 | 1.208 |

Source: Processed data (2026)

Based on Table 3, the correlation coefficient (R) of 0.632 indicates a positive relationship between the independent variables—service quality (X1) and non-performing loans (X2)—and customer satisfaction (Y) in utilizing the services of BPR Eka Dana Mandiri in Malang City. This relationship is considered strong, with a degree of association of 0.554 or 55.4%, and is categorized as fairly strong according to Sugiyono (2013:250). Furthermore, the Adjusted R Square value of 0.306 indicates that service quality (X1) and non-performing loans (X2) collectively explain 30.6% of the variation in customer satisfaction (Y). The remaining 69.4% is influenced by other factors outside the scope of this research model, such as convenience, cost, and emotional factors (Lupiyoadi, 2013:158).

The Effect of Service Quality on Satisfaction at BPR Eka Dana Mandiri in Malang City.

Based on the results of data analysis, it was found that the calculated t-value exceeded the critical t-value ($4.656 > 1.984$), with a significance level of 0.000, which is lower than 0.05. These results indicate that service quality has a positive and statistically significant effect on customer satisfaction. This finding implies that an improvement in service quality contributes positively to customer satisfaction; specifically, a one-unit increase in the service quality variable leads to an increase in customer satisfaction by 0.000 units.

The findings of this study are consistent with previous research conducted by Zakaria et al. (2017), Asti et al. (2020), and Cahyani and Sonang (2016), which demonstrated that service quality has a positive and significant effect on customer satisfaction. This indicates that improvements in service quality are likely to lead to increased levels of customer satisfaction.

The Effect of Non-Performing Loans on Satisfaction at BPR Eka Dana Mandiri in Malang City.

The analysis of the non-performing loan variable indicates a significant effect on customer satisfaction at BPR Eka Dana Mandiri in Malang City, based on the data processing results showing a t-value of -2.341 compared to a t-table value of 1.984, with a significance level of 0.021, which is below the 0.05 threshold. These results are presented in the table below. Based on the table, it can be concluded that H_0 is accepted and H_2 is rejected. Therefore, it can be inferred that the non-performing loan variable does not have a positive and significant effect on customer satisfaction.

The findings of this study are consistent with the research conducted by Aji and Irawati (2024), which revealed that (1) service quality has a positive effect on customer retention at PT BPR Panji Aronta in Jombang; (2) customer satisfaction has a positive effect on customers' willingness at PT BPR Panji Aronta Bareng Jombang; and (3) service quality and customer satisfaction simultaneously have a positive effect on customer loyalty. Fitri, Dassucik, and Rasyidi (2023) reported that the combined influence of the

independent variables—service quality and product quality—on customer satisfaction at BPR Syariah accounts for 25.1%, while the remaining 74.9% is influenced by other factors. In addition, the findings of this study support the research conducted by Gunawan et al. (201) and are consistent with financial theory as proposed by Gunawan (2025).

CONCLUSION

Based on the results of data analysis and discussion concerning the effects of service quality and non-performing loans on customer satisfaction at BPR Eka Dana Mandiri in Malang City, the following conclusions can be drawn:

1. **The Influence of Service Quality on Customer Satisfaction**
Service quality has been proven to have a positive and significant partial effect on customer satisfaction. This indicates that improvements in service quality provided by the staff of BPR Eka Dana Mandiri—such as reliability, responsiveness, and empathy—lead to higher levels of customer satisfaction.
2. **The Impact of Non-Performing Loans on Customer Satisfaction**
Non-performing loans have a negative and significant effect on customer satisfaction. This indicates that an increase in the non-performing loan ratio tends to reduce customer satisfaction, likely due to systemic consequences such as stricter credit policies or disruptions in bank liquidity, which ultimately affect customer convenience in conducting transactions.
3. **The Effect of Service Quality and Non-Performing Loans Simultaneously**
Simultaneously, service quality and non-performing loans have a significant effect on customer satisfaction at BPR Eka Dana Mandiri in Malang City. These two variables explain 30.6% of the variation in customer satisfaction, while the remaining 69.4% is influenced by other factors outside the scope of this research model.

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