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The Effect of Perceived Value and Service Quality on Customer Satisfaction: A Sustainable Growth Strategy for Digital Banks in Indonesia

Ikawati Rosma Sutrisno^{1*}, Dendy Lazuardy¹

¹ Universitas Diponegoro, Semarang, Indonesia

* Corresponding author: Ikawati Rosma Sutrisno (ikawatir@gmail.com)

Abstract

In an era of increasingly intense business competition, it is crucial for companies to understand the factors influencing customer satisfaction and supporting sustainable growth. This study examines the influence of perceived value and service quality on customer satisfaction in the context of digital banks in Indonesia. The research employs a quantitative approach with a survey design. Data were collected through questionnaires from 97 digital bank users in the Jakarta, Bogor, Depok, Tangerang, and Bekasi (Jabodetabek) regions using a simple random sampling technique. The sample includes 54% female and 46% male respondents, with the majority aged between 31-40 years. Data were analyzed using partial least squares structural equation modeling (PLS-SEM). The analysis results show that perceived value and service quality positively affect customer satisfaction, which can support sustainable growth for companies. Therefore, digital bank companies need to focus on enhancing perceived value and service quality to improve customer satisfaction and ensure sustainable growth. These findings highlight the importance of digital banks focusing on these aspects to enhance customer satisfaction and achieve long-term sustainable growth.

Keywords

Perceived Value, Service quality, Customer Satisfaction, Digital Bank

1. Introduction

In an era of increasing globalization, business competition is becoming more stringent and dynamic, including in Indonesia. One of the main focusses in the Government's Medium-Term Development Plan (MDP) is the competitive performance of enterprises. The competitiveness assessment of this enterprise is carried out through the Enterprise Competition Index conducted by the competition supervisory agency of enterprises, which allows to assess the competitive position, productivity, and efficiency of the Indonesian economic sector from year to year (KPPU, 2023). The severity of competition of such enterprises is indicated from the Indices of Competition of Enterprises (IPU) Indonesia last year, which has increased by 0.04 from the previous year. In 2022, IPU reached 4.87 in 2023 to a figure of 4.91. Competition in the financial and insurance sectors is ranked 3rd with a weight score of 5.068 by 2023. This shows that the level of banking competition in Indonesia is at a high level. This increase reflects the climate of business competition in Indonesia and the competitive performance of the competition slightly improved, even in the midst of the current global economic conditions (Heriani, 2024).

Nowadays, business competition is also taking place in the banking sector where not only conventional banks, but also digital banks are emerging in response to the demands of technological development. (Ardianto et al., 2024). Data from the Bank of Indonesia for the third quarter of 2023 showed that the value of digital banking transactions reached Rp15.148.71 trillion, a growth of 12.83 percent. Meanwhile, electronic money transaction also increased 10.34 percent to Rp116.54 trillion. The rise of digital banking in Indonesia has been accompanied by an increase in the number of digital banks in Indonesia. If we look further, there is still a large number of Indonesians who do not have access to conventional or unbanked banking services, which amounts to 97.7 million people or about 48 percent of the total population. This condition creates opportunities for digital banking as its services can facilitate increased literacy and financial inclusion in Indonesia. Furthermore, digital banking is more easily accessible by communities that do not yet have access to banking services, especially those living in remote areas (Antara, 2023).

Table 1. List of 7 Digital Banks with the largest assets in Indonesia

No	Bank Name	Assets 2023	Assets 2022	yoy
1	Seabank	Rp28,23 trillion	Rp28,26 trillion	-0.13
2	Bank Jago	Rp21,29 trillion	Rp16,96 trillion	25.52%
3	BNC	Rp18,16 trillion	Rp19,69 trillion	-7.74%
4	Hibank	Rp14,59 trillion	Rp11,58 trillion	25.96%
5	BCA Digital	Rp13,5 trillion	Rp11,05 trillion	22.18%
6	Allo Bank	Rp12,75 trillion	Rp12,75 trillion	15.29%
7	Bank Raya	Rp12,44 trillion	Rp13,89 trillion	-10.49%

One of the features of digital banking is that customers can obtain information, register, open accounts, transact, and close accounts independently without involving a bank officer. It also allows customers to get information and conduct transactions that are not related to banking products such as financial advisory services, investment information, e-commerce transaction, and various other customer needs using a single channel through recommendations. Banks should consider that this not only digitizes existing products; they also need to change the way they think and provide digital solutions that fit the behavior and needs of the community.

The high level of competition compels companies, including banking institutions, to face increasingly complex challenges to maintain sustainable business growth. A

bank's primary revenue usually comes from interest income generated from lending to customers. However, in addition to interest income, there is another source of revenue known as fee-based income. Fee-based income is derived from various products and services provided by the bank to meet customer needs (Rohmah & Mamun, 2022). This income is obtained through fees, provisions, charges, or commissions that do not originate from interest income, as well as income from marketing products and banking service transactions. It is acknowledged that customer needs have evolved beyond just loans or savings. More customers now seek transaction convenience, insurance services, and investment options. Banking products offering these conveniences become a source of fee-based income in the non-interest income category (Kustina & Dewi, 2016).

Based on this, the provision of service by banking institutions becomes very important as it can increase additional income and provide better services to customers, ultimately leading to higher customer satisfaction. Customer satisfaction is an evaluation conducted by customers after comparing what they receive with their expectations. If customers are satisfied with the value provided by the product or service, they are more likely to remain customers for a long time. Customers will feel satisfied with what has been provided, and may even tend to make purchases beyond what they actually need (Setiawan & Safitri, 2019).

Two factors considered crucial in enhancing customer satisfaction are perceived value and service quality. According to Cronin's research, perceived value refers to the comparison between the benefits received by customers, such as quality, benefits, and utility, and what they sacrifice, such as price, cost, time, and effort (Putro, 2017). Meanwhile, service quality is the level of excellence provided by a company to consumers or customers in the reception of services. The main focus of service quality is to ensure that the services provided meet or even exceed customer expectations (Pilo, 2023).

Previous research on technology-based banking services indicates that customer experience is determined by service quality, functional quality, perceived value, customer-employee engagement, perceived usability, and perceived risk (Mbama & Ezepue, 2018; Mbama et al., 2018). Additionally, prior studies have focused extensively on customer loyalty and bank performance (Larsson & Viitaoja, 2017; Mbama & Ezepue, 2018) in established environments in developed countries. Previous research on e-service quality and perceived value by Irlia (2022) shows that both e-service quality and perceived value affect customer satisfaction. Another study by Ciputra & Prasetya (2020) indicates that the variable of e-service quality does not have a significant positive effect on customer satisfaction, while the variable of perceived value has a significant positive effect on customer satisfaction.

The differing results of these studies create a research gap that this study aims to address by re-examining the influence of perceived value and service quality on customer satisfaction. This research contributes to the understanding of the importance of perceived value and service quality in affecting customer satisfaction. The findings of this study can strengthen existing theories about the relationship between these variables in the context of marketing and service management. The objective of this research is to investigate the influence of perceived value and service quality on customer satisfaction in digital banking as a strategy to maintain sustainable growth.

2. Literature Review

2.1. Perceived Value in Banking

Perceived value by customers arises from a comparison where they find more benefits than drawbacks when evaluating the products or services offered (Ahn and Lee, 2019). Creating a perceived value for digital bank customers is related to the

provision of products or services that are central to a digital bank, as consumers' purchase intentions are influenced by the value they perceive (Omoregie et al., 2019). It is difficult to differentiate digital banks from digital services offered by traditional banks because they are often equated with virtual banking, digital banking, or internet banking. However, the main difference between the two is that there are no physical branches; dedicated digital banks rely solely on digital infrastructure for all types of transactions. They operate virtually and do not provide face-to-face customer service, physical offices, or tellers. Consequently, this reduces service costs, especially those conducted at branch offices (Fathima, 2020; Sha & Mohammed, 2017)

Perceived value refers to the holistic evaluation conducted by customers regarding the benefits of a bank's products or services, service quality, price, and the perceived emotional and social value of a product or service. This is based on the customer's perception of what they receive and give as a result of their experience using the digital bank's products or services. This perceived value plays a key role in shaping customer loyalty, which in turn influences the customer's tendency to make repeat purchases (Al Kanzu & Soesanto, 2016). Perceived value is an evaluation of the benefits of a product or service, which consists of four main aspects (Murdani et al., 2020):

1. Emotional Value, which refers to the benefits arising from the positive or affective feelings experienced when using the product.
2. Social Value, which is the benefit derived from the product's ability to enhance the customer's social self-concept.
3. Quality/Performance Value, which comes from the perception of the expected performance quality of the product.
4. Price/Value for Money, which is the benefit obtained from the product through the reduction of both short-term and long-term costs.

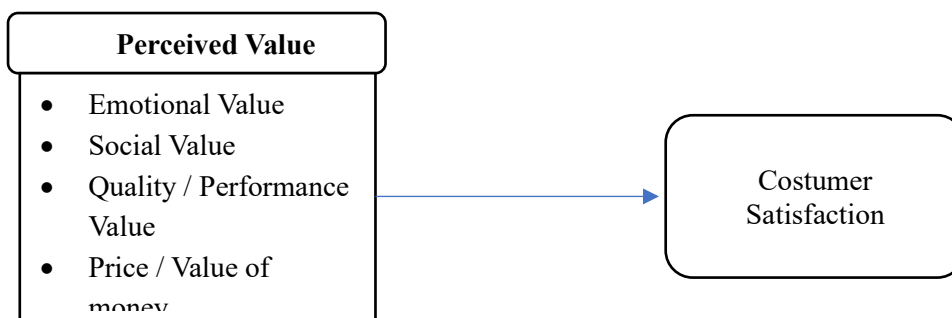


Figure 1. Example

Zhou et al. (2021) emphasize that empathy is one of the components of perceived service quality, and they highlight that it has a positive impact on customer satisfaction and loyalty in digital banking. However, empathy, which is seen as the perception of value alignment between customers and providers, does not influence consumer attitudes towards digital services. In this relationship, empathy has a weaker influence compared to other factors such as perceived quality and benefits (Oni et al., 2016). In the context of traditional banking, empathy helps build customer identity with the brand, as well as conveys feelings of satisfaction, trust, and commitment (Paiva et al., 2009; Chuah et al., 2017; Milan et al., 2018). Based on the various explanations above, the first hypothesis in this study is:

H1: Perceived value has a positive effect on customer satisfaction in Digital Banks in Indonesia.

2.2. Service Quality in Banking

Service quality is the ability of a business to provide superior service that exceeds customer expectations and needs. Digital banks must assure their customers that they will receive the same level of service and reliability as conventional banks, even though the services are provided digitally. Additionally, they need to promote more incentives, both financial and emotional, as compensation for new users to attract customers to switch and adapt. This includes aspects such as expertise, speed, and accuracy in meeting customer needs. To meet customer needs, the use of technology such as digital banking in service development is measured through the relationship customers have with the service and their perception of it (Ababa, 2018). Clients expect to utilize digital banking similar to social media. They want to access these services anytime and anywhere (Dootson et al., 2016).

Digital banking service quality consists of four dimensions: Efficiency & Convenience, Assurance & Security, Reliability, and Responsiveness (Sharma & Malviya, 2014). Efficiency & Convenience: This dimension addresses the use of online services, focusing on the speed and ease of facilities provided that help consumers in their transactions. Reliability: This dimension deals with the execution of services conducted online related to fulfilling consumer requests, ensuring that the service is dependable, trustworthy, and accessible anytime and anywhere. Assurance & Security: This dimension concerns the level of security, both in terms of transaction security and the management and storage of consumer data. Responsiveness: This dimension examines how effectively an online service can handle problems and how feedback can be provided to consumers (Hammoud et al., 2015).

To create a marketing strategy, marketers must consider customer experience (Sorofman et al., 2015). Meanwhile, the banking industry can now provide services in various forms thanks to technological advancements, which impact customer experience, both positively and negatively, and influence how banks compete. Customer experience is the evaluation by customers of all direct and indirect encounters with a company related to their purchasing behavior (Klaus & Maklan, 2013). Service quality, functional quality, perceived value, service customization, service speed, employee-customer engagement, brand trust, digital banking innovation, perceived usability, and perceived risk are all components of the digital banking experience (Mbama & Ezepue, 2018). Based on the various explanations above, the second hypothesis in this study is:

H2: Service quality has a positive effect on customer satisfaction in Digital Banks in Indonesia.

2.3. Customer Satisfaction in Banking

Satisfaction is the result of customers' cognitive evaluation, according to Chuah et al. (2017). Customers are more likely to be satisfied with a product or service if their perception of benefits or value is greater than their perception of sacrifices or costs, making them more likely to repurchase from the same supplier. In traditional banks, structural bonds tend to enhance customer satisfaction. These bonds create competitive differences, such as perceptions of quality and brand trust, making them stronger and more enduring (Milan et al., 2018); 88% of customers say they trust conventional banks (Fujitsu, 2019). In digital banks, customer satisfaction and loyalty are supported by functional elements such as channel convenience, simplicity, and ease of use (Oni et al., 2016; Juenger & Mietzner, 2020; Raza et al., 2020). These elements might be less significant and influential because they come from components that are more easily replicated by competing proposals. Digital banks can also enhance customer satisfaction with features such as low costs, quick

responsiveness, and advanced technology (Omoregie et al., 2019; Jahan & Shahria, 2021).

The ability of a company to meet the psychological, emotional, and business needs of customers is called customer satisfaction. (Paul et al., 2018). According to a literature review, many researchers agree that there are three main dimensions of customer value: functional, emotional, and social. Functional values relate to price, quality of service, personal interaction, and bank installation value. Social values are considered as personal beliefs, social integration, and opinions, as well as relative references. Emotional values can refer to non-physical features, such as a good psychological environment; comfort; confidence and satisfaction; relaxation and security for financial operations; and positive emotions and experiences.

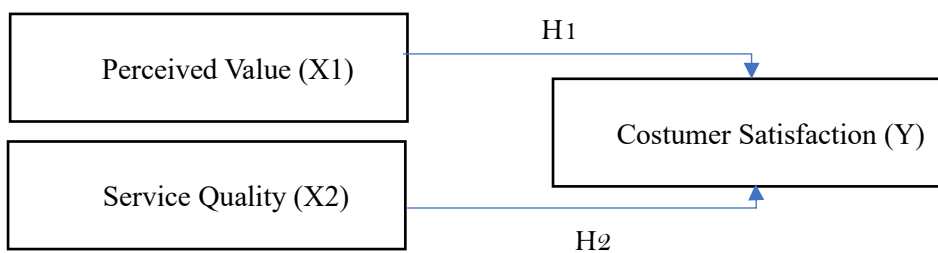


Figure 1. Research Framework

3. Methods

The data collection technique used is a survey through a questionnaire using Google Forms. The population in this study comprises digital banking users in the Jakarta, Bogor, Depok, Tangerang, and Bekasi (Jabodetabek) areas. The scale employs a 5-point Likert response format, ranging from "strongly disagree" to "strongly agree." Participation is voluntary. The sampling technique used is Non-Probability Sampling because the sample in this study includes only respondents who have used digital banking and can fill out the survey questionnaire. The distributed questionnaire will contain elements from the variables in this study, namely service quality, customer perceived value, and customer satisfaction. The study uses the sample size determination formula stated by Isac Michel in (Siregar, 2019). In this study, the sample uses the Isac Michel formula, which is applicable when the population size is unknown:

$$n = \frac{(Za)^2 P \cdot Q}{e^2}$$

Where:

- n = Required sample size
- p = Estimated proportion of an attribute that is present in the population
- q = 1- p
- Z = Z-value (e.g., 1.96 for a 95% confidence level)
- e = Margin of error

To calculate the required sample size, we use the formula for sample size determination with a 95% confidence level, a population proportion of 50%, and a margin of error of 10%.

$$n = \frac{(1.96)^2 \times 0.50 \times (1 - 0.50)}{(0.10)^2}$$

$$n = \frac{0.9604}{0.01} = 96.85$$

Therefore, the minimum required sample size is 97. After data collection, the variables studied include Perceived Value (X1) and Service Quality (X2) as independent variables, and Customer Satisfaction (Y) as the dependent variable. The questionnaire is structured into two parts. The first part pertains to the demographic characteristics of respondents, including the type of digital bank used, gender, age, and purpose of using the digital bank. To validate the research model and hypotheses, a quantitative research method is used. The Partial Least Squares Structural Equation Modeling (PLS-SEM) method is chosen for this study as it is frequently used in contemporary research and offers several advantages over other methodologies (Hair et al., 2014).

4. Research Results

This survey examines how Perceived Value (X1) and Service Quality (X2) affect customer satisfaction with digital banking services. The respondents are active users of digital banking products and services. Among the respondents, 54 out of 97 (or 55.7%) are female, while 43 (or 44.3%) are male. In terms of age, 53 respondents (or 54.6%) fall into the 31-40 age group. This is very appropriate as they were born and raised alongside the development of digital technology and already have a fairly good financial standing. When respondents use certain digital banking services, the most popular reason is convenience, with 33 respondents (or 99.2%). The most frequent use by respondents is for financial transactions (payment transactions) with 61 respondents (or 62.9%).

Table 2. Descriptive statistics of demographic variables

Demographic variables	Criteria	Frequency	Percentage
Gender	Man	43	43.3%
	Women	54	55.7%
Age	< 20 years	3	3.0%
	20 - 30 years	37	38.1%
	31 - 40 years	53	54.6%
	> 40 years	4	4.1%
Digital banking services used	Invests	4	4.1%
	Saving	23	23.7%
	Transaction	61	62.9%
	Loan	3	3.1%
Purpose of using digital banking	Virtual Debit Card	6	6.2%
	Free Administration Fees	11	11.3%
	Innovative features	28	28.9%
	Convenience	33	34%
The digital bank used	Secure	6	6.2%
	Other	19	19.6%
	Allo Bank	9	9.3%
	Bank Jago	13	13.4%
	blu	7	7.2%
	Jenius	48	49.5%
	Other	20	20.6%

After all the data from the questionnaire has been collected, it will be tested for validity and reliability. The testing is conducted to determine whether the amount of data collected for each dimension is valid and reliable for further data processing and whether the data collected accurately reflects the existing conditions. Additionally, the testing will check if the variance consistently represents the sample data taken from the population. Valid and reliable data will be processed to determine

whether there is a substantial correlation between the independent variables and customer satisfaction the dependent variable.

According to Hair et al. (2006), a valid indicator must have a factor loading greater than 0.5. The factor loading meets the criteria for indicator validity, as shown in Table 3. Furthermore, literature suggests several practical rules for evaluating measurement models. It recommends that a Cronbach's alpha value above 0.7 indicates high internal consistency of all operationalized constructs. Additionally, literature indicates that composite reliability values between 0.7-0.9 (Nunnally, 1994) and an average variance extracted (AVE) above the threshold of 0.5 (Hair et al., 2014) are acceptable. The R-Square value is used to measure the degree of variation in the dependent variable explained by the independent variables. A higher R-Square value indicates a better predictive model of the proposed research model.

Table 3. Nilai Cronbach's alpha, Composite reliability, AVE dan R-square

	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)	R-square	R-square adjusted
Kepuasan_Pelanggan	0.901094	0.938307	0.835336	0.522420	0.512259
Perceived_Value	0.918277	0.934860	0.672899	-	-
Service_Quality	0.946726	0.954413	0.677358	-	-

Convergent validity indicates that each construct has a high correlation. An indicator is said to meet convergent validity if it has an outer loading value > 0.5 and a t-value > 1.96 . Table 1 shows that the outer loading values of each research indicator are > 0.5 and the t-values are > 1.96 . This demonstrates that the indicators in this study have met the expected criteria for convergent validity.

Table 4. Outer Loading value

	Original sample (O)	Standard deviation (STDEV)	T statistics (O/STDEV)
KP1 <- Kepuasan_Pelanggan	0.940727	0.013702	68.656089
KP2 <- Kepuasan_Pelanggan	0.884403	0.032835	26.934405
KP3 <- Kepuasan_Pelanggan	0.915900	0.026678	34.331192
PV1 <- Perceived_Value	0.820511	0.047102	17.420043
PV2 <- Perceived_Value	0.810304	0.034736	23.327214
PV3 <- Perceived_Value	0.727505	0.055239	13.170100
PV4 <- Perceived_Value	0.837891	0.036051	23.242039
PV5 <- Perceived_Value	0.865852	0.025117	34.472073
PV6 <- Perceived_Value	0.881984	0.020386	43.264817
PV7 <- Perceived_Value	0.788379	0.041524	18.986035
SQ1 <- Service_Quality	0.874180	0.022592	38.693589
SQ2 <- Service_Quality	0.842096	0.030860	27.287246
SQ3 <- Service_Quality	0.862726	0.037972	22.720157
SQ4 <- Service_Quality	0.769707	0.047110	16.338357
SQ5 <- Service_Quality	0.787275	0.047311	16.640506
SQ6 <- Service_Quality	0.803256	0.046129	17.413354
SQ7 <- Service_Quality	0.788123	0.040234	19.588512
SQ8 <- Service_Quality	0.849708	0.028227	30.102467
SQ9 <- Service_Quality	0.758560	0.057303	13.237584
SQ10 <- Service_Quality	0.883144	0.022552	39.159533

Discriminant validity indicates that the indicators measuring each construct do not have a high correlation with indicators of other constructs. An indicator is said to meet discriminant validity if its cross-loading value on its own variable is greater than its cross-loading values on other variables.

Table 5 Cross Loading Factor value

	Kepuasan_Pelanggan	Perceived_Value	Service_Quality
KP1	0.940727	0.572525	0.634467
KP2	0.884403	0.579196	0.564078
KP3	0.915900	0.577953	0.601446
PV1	0.537455	0.820511	0.538972
PV2	0.577093	0.810304	0.578466
PV3	0.456105	0.727505	0.425008
PV4	0.521788	0.837891	0.435965
PV5	0.498796	0.865852	0.461144
PV6	0.515686	0.881984	0.454197
PV7	0.497311	0.788379	0.469442
SQ1	0.599200	0.563204	0.874180
SQ2	0.542544	0.393243	0.842096
SQ3	0.501175	0.541704	0.862726
SQ4	0.488325	0.335338	0.769707
SQ5	0.441278	0.432837	0.787275
SQ6	0.618234	0.524738	0.803256
SQ7	0.509418	0.349342	0.788123
SQ8	0.557165	0.495882	0.849708
SQ9	0.550427	0.573271	0.758560
SQ10	0.555549	0.596811	0.883144

Table 5 shows that, in general, the indicators constituting all the variables in the study have met discriminant validity because they have the highest outer loading values for the variables they form. Reliability testing is conducted to assess the consistency and accuracy of each construct indicator. The reliability test uses composite reliability and Cronbach's alpha. A construct is said to meet composite reliability if it has a composite reliability value > 0.7 and a Cronbach's alpha value > 0.6.

Table 6. Discriminant Validity

	Kepuasan_Pelanggan	Perceived_Value	Service_Quality
Kepuasan_Pelanggan	0.914		
Perceived_Value	0.631	0.820	
Service_Quality	0.657	0.589	0.823

The designed instrument or questionnaire has good discriminant validity based on the Fornell-Larcker approach because the square root of the AVE for each latent variable is greater than the correlation values between the latent variable and other latent variables.

Table 7. Hypothesis Test

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Perceived_Value -> Kepuasan_Pelanggan	0.372828	0.373119	0.095021	3.923629	0.000088
Service_Quality -> Kepuasan_Pelanggan	0.437297	0.437472	0.090420	4.836292	0.000001

Table 7 shows the results of the hypothesis testing. A research hypothesis is accepted if the t-statistic value is greater than the t-table value at a 5% error level ($\alpha = 0.05$), which is 1.66. The path coefficient from perceived value to customer satisfaction is 0.373. The results are based on standardized variables. With a path coefficient value of 0.373, the perceived value towards customer satisfaction has a P-value of 0.000, which is lower than the significance level of 0.05, indicating a significant impact of perceived value on customer satisfaction. The path coefficient from service quality to customer satisfaction is 0.437. The results are based on standardized variables. With a path coefficient value of 0.437, the service quality towards customer satisfaction has a P-value of 0.000, which is lower than the

significance level of 0.05, indicating a significant impact of service quality on customer satisfaction.

5. Discussion

Perceived Value has a Positive and Significant influence on Customer Satisfaction. Perceived value has a significant impact on customer satisfaction. The benefit factor, which includes the value desired by the customers, and the sacrifice factor, which includes both monetary considerations (service costs) and non-monetary considerations (time and effort), significantly influence customer satisfaction in using digital banking. In this context, the product and feature factors of digital banking have shown to provide satisfaction to customers. Perceived value in the context of digital banking refers to the customers' evaluation of the benefits of the products or services offered by digital banks compared to the costs they incur. This concept involves various aspects such as emotional value, social value, performance quality, and price/value for money (Murdani et al., 2020).

1. Emotional Value: The benefits customers perceive from positive or affective feelings when using digital banking services. For example, the comfort and ease of using a mobile banking application.
2. Social Value: The benefits customers gain from the ability of the service to enhance their social status or self-image. For instance, innovative features offered by digital banks can increase the prestige of customers within their social circles (Al Kanzu & Soesanto, 2016).
3. Performance Quality: Customers' perception of the performance and quality of digital banking services. For example, the speed and reliability of financial transactions conducted through digital platforms (Sha & Mohammed, 2017).
4. Price/Value for Money: Customers' evaluation of the benefits received compared to the costs incurred. For example, lower or no administrative fees for digital banking services (Fathima, 2020).

The success of banking services can be measured by the level of customer satisfaction with the services provided, similar to banking, so that customers perceive high value. According to Al-Hawari & Ward (2005), core services are a combination of all high-quality service features that help distinguish the services provided by one organization from those provided by others. According to Ryu et al. (2011), it has been proven that service quality can be used to determine the perceived value of customers. Electronic banking services, branchless banking, and cashless transactions are examples of rapid changes in Indonesia's financial sector. This means that banks must provide all services with higher quality standards, advanced technology, and meet the five main requirements of the service quality model (Parasuraman, 1988).

Customer satisfaction is one of the indicators of a company's success in providing services related to the products sold and the business it operates. This is because by satisfying customers, a company can increase profits and gain a wide market share (Warman & Purnami, 2019). Customer satisfaction will have a positive impact on the company, as it will attract many customers and ensure customer loyalty. Satisfaction builds a harmonious relationship between the company and its customers, laying a strong foundation for repeat purchases and fostering customer loyalty (Nurkariani & Kurniantara, 2022).

Based on the research results, service quality has a positive and significant effect on customer satisfaction. This finding is supported by the study of Ramadhan et al. (2023), which states that service quality has a positive and significant impact on customer satisfaction. Customer satisfaction is a fundamental aspect that must be given utmost attention in conducting a business (Widiarta & Mayasari, 2023). Customer satisfaction is one of the goals of marketing activities that connect the

purchasing process and consumers with post-purchase phenomena such as consumer behavior, customer retention, and company performance (Haris, 2023). Service quality in digital banking encompasses the bank's ability to provide services that meet or exceed customer expectations. According to Parasuraman (2023), service quality can be measured through five dimensions: tangibility, reliability, responsiveness, assurance, and empathy.

1. Tangibility: The physical appearance and facilities that support digital services, such as a user-friendly interface of the digital banking application.
2. Reliability: The bank's ability to provide accurate and consistent services, such as transaction security and system reliability.
3. Responsiveness: The bank's willingness to help customers and provide prompt service, such as quick responses to customer inquiries or complaints.
4. Assurance: The knowledge and courtesy of bank employees and their ability to instill a sense of security and trust in customers, for instance, protecting customers' personal data.
5. Empathy: The care and personal attention given to customers, such as friendly customer service that understands customer needs.

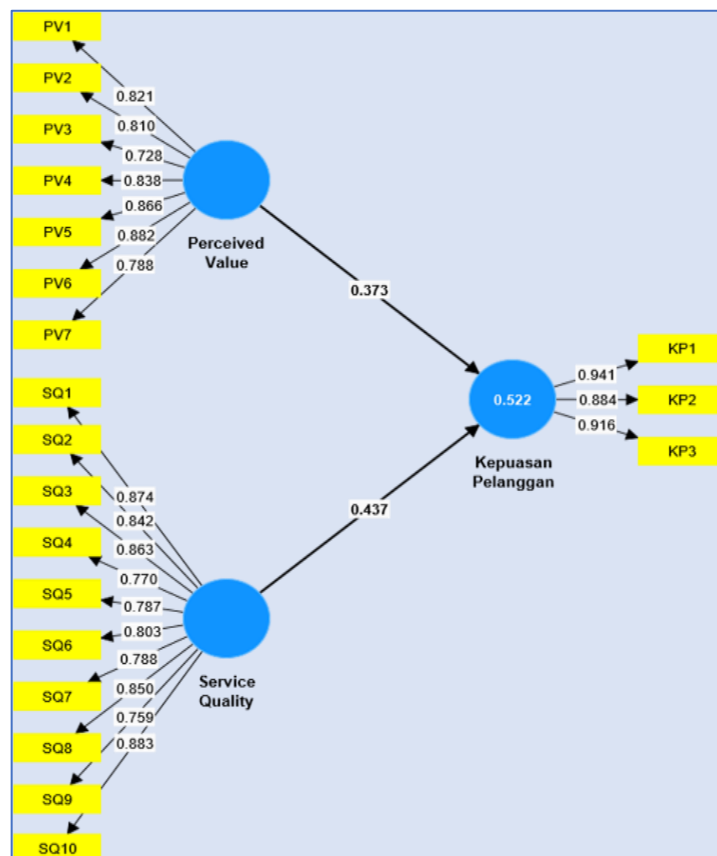


Figure 1. Research Framework Hypothesis

If clients receive high-quality services from a business, they are more likely to maintain their relationship with it (Khanifah & Syahrinullah, 2022). Businesses that provide high-quality services will meet consumer expectations in a competitive and cost-effective manner. Improving operational processes, which includes quickly and systematically identifying problems, setting effective and reliable service performance indicators, measuring customer satisfaction, and other performance outcomes, is a way to enhance service quality (Budiarno et al., 2022). Thus, service

quality plays a crucial role in increasing customer satisfaction. Consequently, it can be concluded that high-quality services can enhance customer satisfaction.

6. Conclusion

This study shows that perceived value and service quality have a positive and significant impact on customer satisfaction in the context of digital banking in Indonesia. Perceived value, which includes emotional value, social value, performance quality, and price/value for money, has been proven to be an important factor influencing customer satisfaction. Additionally, service quality measured through the dimensions of tangibility, reliability, responsiveness, assurance, and empathy also plays a significant role in enhancing customer satisfaction. These findings highlight the importance for digital banks to focus on improving these two aspects to increase customer satisfaction and loyalty. The practical implications of this research are that digital banks should adopt strategies focused on enhancing perceived value and service quality. By offering features that provide convenience, elevate social status, ensure high performance quality, and offer competitive costs, digital banks can enhance the perceived value for customers. Additionally, digital banks should ensure services that are reliable, responsive, secure, and empathetic to meet or exceed customer expectations. Through this approach, digital banks can strengthen relationships with customers, increase satisfaction and loyalty, and support sustainable growth in the banking industry.

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