



RESEARCH ARTICLE

# The Influence of Product Quality and Customer Satisfaction on Customer Loyalty

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## Abstract

This research aims to examine and test the effect of product quality and customer satisfaction on customer loyalty at the Binama Tlogosari Semarang Sharia Cooperative. A quantitative approach was applied using multiple regression analysis to measure the relationship between variables. The sampling technique used accidental sampling, involving 73 respondents selected from cooperative customers. Data were collected through structured questionnaires and processed using IBM SPSS version 26 to ensure accurate and reliable results. The findings show that product quality has a positive and significant effect on customer loyalty. Customer satisfaction also demonstrates a positive and significant influence on loyalty. High product quality tends to build customer trust, while satisfaction encourages repeat transactions and long-term commitment. Both factors play an important role in maintaining stable relationships between customers and the cooperative. From a managerial perspective, maintaining consistent product standards and improving service quality are essential steps to sustain customer loyalty. Regular evaluation of customer perceptions and expectations is also necessary to support continuous improvement. Strong performance in these areas is expected to strengthen competitiveness and support the sustainability of the cooperative.

## Keywords

Product Quality; Customer Satisfaction; Customer Loyalty.

## 1 | INTRODUCTION

In an increasingly competitive market environment, Sharia cooperatives are required to compete with various financial institutions that continue to improve their performance and service standards. Each cooperative needs to implement effective and professional service management to meet customer expectations and maintain trust. The achievement of organizational goals is strongly influenced by how well employees perform their duties and responsibilities in a consistent and optimal manner (Daouk, 2021; Muliadi, 2021). Financial institutions, including BMT, KSPPS, and banking institutions, commonly engage in competition focused on enhancing service quality and developing attractive product offerings. This competition encourages institutions to continuously adapt and improve in order to remain relevant and preferred by customers. Customer satisfaction becomes a key objective that must be achieved, as it reflects the extent to which products and services meet customer expectations (Ghozilah & Khasanah, 2020).

Currently, customers place strong attention on product quality, as it represents the characteristics of goods and services that directly influence their level of satisfaction (Sunyoto & Susanti, 2015). Quality is commonly associated with reliability, durability, and the ability of a product to perform consistently according to expectations. Customers tend to expect products that not only function properly but also provide long-term value. To maintain such standards, proper quality control and clear standardization are necessary so that products remain aligned with expected criteria and continue to strengthen customer trust (Tasia *et al.*, 2022). Intense business competition encourages Sharia cooperative managers to continuously improve both product quality and service performance. Providing reliable products alone is not sufficient; it needs to be supported by responsive, timely, and customer-oriented services. Customers increasingly evaluate not only the core product but also the overall experience they receive. Products with higher utility tend to shape customer preferences when choosing among various available alternatives. In many situations, customers compare perceived benefits, costs, and overall value before making decisions, which highlights the importance of maintaining consistent quality and service standards.

Customer satisfaction can be improved through well-planned service strategies and the provision of reliable products that meet expectations. Consistency in service delivery and product performance plays an important role in shaping positive customer experiences. When both aspects are carried out effectively and efficiently, customer loyalty tends to increase as customers feel confident in maintaining their relationship with the institution (Herawati & Sulistyowati, 2019). Satisfaction is often reflected through direct interactions between customers and front-line employees, such as tellers and marketing staff, who handle daily communication and transactions. Professional attitudes, responsiveness, and clear communication contribute to positive impressions and strengthen customer trust. In addition, reliable product performance and dependable service support the overall value perceived by customers. Product quality, service quality, and customer satisfaction are closely related in building long-term loyalty. Customers who feel satisfied are more likely to make repeat transactions and share positive experiences with others. Positive recommendations can influence potential customers and support business growth (Sigit & Soliha, 2017). Maintaining existing customers is generally more efficient than attracting new ones, as loyal customers tend to require less promotional effort. For that reason, Sharia cooperatives need to consistently maintain service quality and customer satisfaction to remain competitive among similar institutions.

Binama Tlogosari Semarang Sharia Cooperative is one of the Islamic financial institutions operating in Semarang, focusing on supporting community economic development through various financial services. The cooperative provides a range of products, including savings, Qard al-Hasan, Murabahah, Mudharabah, and Musyarakah, which are designed to meet the diverse needs of its customers. These products aim to encourage financial inclusion while adhering to Sharia principles. Efforts to improve service quality are supported by professional human resources who possess adequate expertise and competence in their respective roles. Continuous innovation in product marketing is also carried out to ensure that services remain relevant to customer needs and market developments. In its operations, the cooperative seeks to balance economic objectives with religious values, ensuring that all activities follow Islamic principles. Customer trust becomes a key foundation in maintaining the sustainability of the cooperative. This trust is supported by consistent performance, a positive institutional image, and reliable service delivery, which together influence customer satisfaction and loyalty. Observations show a steady increase in the number of customers each year, indicating a strong level of loyalty and continued confidence in the institution.

The purpose of this study is to analyze the effect of product quality and customer satisfaction on customer loyalty at the Binama Tlogosari Semarang Sharia Cooperative. The study also aims to examine how these variables influence customer decisions to continue using financial services. In addition, it seeks to identify the extent to which product performance and customer satisfaction contribute to strengthening long-term relationships and encouraging repeat transactions within the cooperative.

## 2 | BACKGROUND THEORY

### 2.1 Product Quality and Customer Loyalty

Product quality refers to a product's ability to perform its functions, including accuracy and ease of use. Products with superior performance, advantages, and innovative features tend to be preferred by customers, and loyalty is more likely to increase when customers receive consistent product quality. In Sharia cooperatives, product quality has become an important aspect, as customers have shown greater attention to it in recent years. Offering high-quality products can provide significant benefits for the cooperative, while low-quality products may lead to customer dissatisfaction and reduced loyalty. Better product quality is often followed by increased customer satisfaction, as it reflects distinctive characteristics that create a positive perception and highlight advantages compared to other products. Previous studies (Suciningrum & Usman, 2022; Yurianto & Dewi, 2021) indicate that product quality has a positive and significant effect on customer loyalty.

H1: Product quality has an effect on customer loyalty.

### 2.2 Customer Satisfaction and Customer Loyalty

Customer satisfaction represents the overall evaluation formed after using a product or service. Customers feel satisfied when the product they receive meets expectations and delivers good quality, and this satisfaction tends to arise after each transaction. Satisfaction contributes positively by improving the institution's reputation and encouraging customer loyalty. Providing functional benefits that match expectations is essential to achieve satisfaction, as these benefits are often related to technical performance. However, building loyalty requires additional value that can create emotional attachment to the product or service. Research findings (Budiman, 2020; Octavia, 2019) show that satisfaction with service quality and product performance leads to a higher likelihood of customer loyalty.

H2: Customer satisfaction has an effect on customer loyalty.

## 3 | METHOD

This study applies a quantitative approach to examine the relationship between variables. The data used are primary data, obtained directly from respondents through structured questionnaires distributed to customers of the Binama Tlogosari Semarang Sharia Cooperative. The questionnaire was designed to capture respondents' perceptions regarding product quality, customer satisfaction, and customer loyalty. Responses were measured using a Likert scale to ensure consistency in data collection and facilitate statistical analysis. The sampling technique employed was accidental sampling, where respondents were selected based on availability and willingness to participate during the data collection period. The population consists of customers who have been members of the cooperative for more than two years. Based on the Slovin formula with a margin of error of 5 percent, a total sample of 73 respondents was determined from an initial population of 90 customers. This approach allows for efficient data collection while maintaining an acceptable level of accuracy.

Two types of variables are examined. The independent variables include product quality (X1) and customer satisfaction (X2), while the dependent variable is customer loyalty (Y). Each variable was operationalized into several indicators to ensure proper measurement. After data collection, analysis was conducted using IBM SPSS version 26 for Windows. Several statistical tests were performed, including validity and reliability tests to ensure data quality, classical assumption tests, multiple linear regression analysis, and the coefficient of determination test to evaluate the strength of the relationship between variables.

## 4 | RESULTS AND DISCUSSION

### 4.1 Results

#### 4.1.1 Validity and Reliability Test

Validity and reliability tests were conducted to ensure the accuracy and consistency of the research instrument. The validity test was performed by examining the correlation between each item score and the total score. An item is considered valid if the correlation coefficient exceeds the required threshold. Reliability testing was carried out using Cronbach's Alpha to measure internal consistency. A variable is considered reliable if the alpha value is greater than 0.70. The results indicate that all questionnaire items are valid and reliable, meaning the instrument is suitable for further statistical analysis and can consistently measure the intended variables.

Table 1. Validity Test

Variable	Pearson Correlation	R-table ( $\alpha = 5\%$ )	Result
Customer Loyalty	0.799	0.361	Valid
Product Quality	0.781	0.361	Valid
Customer Satisfaction	0.710	0.361	Valid

Source: Processed Data (SPSS, 2026)

Based on Table 1, customer loyalty, product quality, and customer satisfaction show Pearson correlation values greater than the R-table value. All questionnaire items are considered valid and can be used as appropriate measurement instruments.

Table 2. Reliability Test

Variable	Cronbach's Alpha	N of Items	Result
Customer Loyalty	0.751	8	Reliable
Product Quality	0.722	6	Reliable
Customer Satisfaction	0.720	6	Reliable

Source: Processed Data (SPSS, 2026)

Table 2 shows that Cronbach's Alpha values for customer loyalty (0.751), product quality (0.722), and customer satisfaction (0.720) exceed the acceptable threshold. These results indicate that the data are reliable and suitable for further analysis.

#### 4.1.2 Normality Test

The normality test was conducted to determine whether the data are normally distributed, which is a key assumption in regression analysis. The test used the Kolmogorov-Smirnov method based on the significance value. Data are considered normally distributed if the significance value exceeds 0.05. The results show that the significance value is above the required threshold, indicating that the residual data follow a normal distribution. In addition, the normal probability plot shows that the data points are distributed closely along the diagonal line. These results confirm that the normality assumption is satisfied and the data are appropriate for further analysis.

Table 3. Normality Test

N	Unstandardized Residual
73	
Normal Parameters <sup>ab</sup>	
Mean	0.0000000
Std. Deviation	1.66250211
Most Extreme Differences	
Absolute	0.070
Positive	0.067
Negative	-0.070
Kolmogorov-Smirnov Z	0.701
Asymp. Sig. (2-tailed)	0.610

Source: Processed Data (SPSS, 2026)

Table 3 shows that the significance value (2-tailed) is 0.610. Since this value is greater than 0.05, the data are considered to follow a normal distribution. This result indicates that the residuals meet the normality assumption required for regression analysis. A normal distribution suggests that the data are well spread and not skewed, allowing for more accurate statistical interpretation. Therefore, the dataset is suitable for further analysis, including hypothesis testing and regression modeling, as it satisfies one of the key classical assumptions in quantitative research.

#### 4.1.3 Multicollinearity Test

The multicollinearity test was conducted to examine whether strong correlations exist among the independent variables in the regression model. This test used tolerance values and the Variance Inflation Factor (VIF) as indicators. A model is considered free from multicollinearity when tolerance values are greater than 0.10 and VIF values are less than 10. The results show that all independent variables meet these criteria. This indicates that there is no strong linear relationship among the variables, allowing each variable to explain the dependent variable independently without causing distortion in the regression analysis results.

Table 4. Multicollinearity Test

Model	Tolerance	VIF
Product Quality	0.466	1.125
Customer Satisfaction	0.466	1.125

Source: Processed Data (SPSS, 2026)

Table 4 shows that all independent variables have tolerance values greater than 0.10, indicating no strong correlation among them. In addition, the Variance Inflation Factor (VIF) values are below 10, which further confirms the absence of multicollinearity. These results suggest that each independent variable can be used reliably in the regression model without causing distortion in the analysis.

#### 4.1.4 Heteroscedasticity Test

The heteroskedasticity test was conducted to examine whether the variance of residuals remains constant across observations. A good regression model requires homoscedasticity, where residuals are evenly distributed. The test was performed using a scatterplot by observing the distribution of residual points. The results show that the points are spread randomly and do not form a specific pattern, either above or below the zero line. This indicates the absence of heteroskedasticity, meaning the model meets the required assumption and can be used for further regression analysis.

Table 5. Heteroskedasticity Test

Model	B	Std. Error	Beta	t	Sig.
(Constant)	1.020	0.938	—	1.068	0.569
Product Quality	0.044	0.033	0.159	0.582	0.816
Customer Satisfaction	0.058	0.046	0.075	0.491	0.697

Dependent Variable: Customer Loyalty

Source: Processed Data (SPSS, 2026)

Table 5 shows that all independent variables have significance values above 0.05. This indicates that the residual variance is stable across observations and no heteroskedasticity is detected. The regression model meets the required assumption, allowing the analysis to proceed without bias related to unequal error variance among the independent variables.

#### 4.1.5 Multiple Linear Regression Analysis

Multiple linear regression analysis was conducted to examine the effect of product quality and customer satisfaction on customer loyalty. This method allows the measurement of both variables simultaneously in explaining variations in the dependent variable. The regression results are presented in Table 6, showing the coefficients, significance values, and the direction of relationships. Each coefficient reflects the extent to which the independent variables influence customer loyalty. The analysis also helps identify which variable has a stronger contribution. Based on these results, the relationship between variables can be interpreted clearly and used to support hypothesis testing in the study.

Table 6. Multiple Linear Regression

Model	Standardized Coefficients (Beta)	t	Sig.
(Constant)	—	2.274	0.000
Product Quality	0.525	0.466	0.000
Customer Satisfaction	0.245	0.466	0.004

Dependent Variable: Customer Loyalty

Source: Processed Data (SPSS, 2026)

Table 6 shows that the standardized coefficient ( $\beta$ ) for product quality is 0.423, while customer satisfaction has a coefficient ( $\beta$ ) of 0.230. Based on these values, the regression equation can be expressed as  $Y = 0.212X_1 + 0.423X_2$ . The positive coefficient of product quality indicates that an increase in product quality is associated with an increase in customer loyalty. Similarly, the positive coefficient of customer satisfaction suggests that higher levels of satisfaction are followed by higher customer loyalty. These results indicate that both variables have a positive relationship with customer loyalty and contribute to its improvement.

Table 7. Simultaneous Test

Model	Sum of Squares	df	Mean Square	F	Sig.
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Regression	378.569	2	126.189	49.377	0.000 <sup>b</sup>
Residual	171.556	71	2.450	—	—
Total	550.125	73	—	—	—

Source: Processed Data (SPSS, 2026)

Table 7 shows that the calculated F-value is 49.377, with a significance value of 0.000, which is lower than 0.05. This indicates that product quality and customer satisfaction simultaneously have a significant effect on customer loyalty.

The t-test is used to determine the effect of each independent variable on the dependent variable. A significance value below 0.05 indicates a significant effect. Based on Table 6, product quality has a significance value of 0.000, indicating a significant effect on customer loyalty. Customer satisfaction has a significance value of 0.004, which also indicates a significant effect. Both variables individually influence customer loyalty at the Binama Tlogosari Semarang Sharia Cooperative.

Table 8. Coefficient of Determination ( $R^2$ )

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.710 <sup>a</sup>	0.704	0.694	2.121

Source: Processed Data (SPSS, 2026)

Table 8 shows that the Adjusted R Square value is 0.694, indicating that product quality and customer satisfaction explain 69.4% of the variation in customer loyalty, while the remaining 30.6% is influenced by other factors not included in the study.

## 4.2 Discussion

Based on the results of data analysis, product quality has a positive and significant effect on customer loyalty at the Binama Tlogosari Semarang Sharia Cooperative, as indicated by a significance value of 0.000, which is lower than 0.05. This result indicates that customer loyalty tends to increase when the products offered meet quality standards. Product quality has become an important consideration in Sharia cooperatives, as customers increasingly pay attention to the reliability and performance of financial products. Low-quality products may lead to reduced customer commitment, while high-quality products encourage continued usage and trust. Distinctive product characteristics, supported by consistent performance, help shape positive customer perceptions and strengthen satisfaction. These conditions support the formation of loyalty, as customers perceive added value compared to other institutions. The findings are consistent with previous studies (Suciningrum & Usman, 2022; Yurianto & Dewi, 2021), which report that product quality has a positive and significant effect on customer loyalty.

Based on the results of data analysis, customer satisfaction has a positive and significant effect on customer loyalty at the Binama Tlogosari Semarang Sharia Cooperative, as indicated by a significance value of 0.004, which is lower than 0.05. This indicates that customer loyalty increases when the experience of using products matches or exceeds expectations. Satisfaction contributes positively to the institution's reputation and strengthens long-term relationships with customers. Providing functional benefits that align with expectations supports satisfaction, particularly through reliable service and product performance. To encourage stronger loyalty, additional value that fosters emotional attachment is also important. These findings are consistent with prior research (Budiman, 2020; Octavia, 2019), which shows that satisfied customers are more likely to remain loyal.

## 5 | CONCLUSIONS AND FUTURE WORK

Based on the results of the study and data analysis, product quality and customer satisfaction have a positive and significant effect on customer loyalty at the Binama Tlogosari Semarang Sharia Cooperative. High product quality tends to create a sense of satisfaction, which encourages customers to maintain their relationship with the cooperative. When customers feel that the products used meet their expectations, loyalty is more likely to develop and be sustained over time. The coefficient of determination shows an Adjusted R Square value of 69.4%, indicating that product quality and customer satisfaction explain a substantial portion of customer loyalty. The remaining 30.6% is influenced by other factors outside the variables examined. This result indicates that both variables play an important role in shaping customer behavior and maintaining long-term engagement. From a managerial perspective, maintaining consistent product quality and ensuring customer satisfaction are essential steps to strengthen loyalty. Continuous evaluation of customer needs and expectations is also necessary to support service improvement. Strengthening these aspects can help the cooperative maintain its performance and remain competitive among similar financial institutions.

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