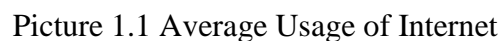


INTRODUCTION

Population in Indonesia right now is about to 262 million people. More than 50% percent or around 143 million people have been connected to internet network along 2017, it based to the newest report from APJII (Asosiasi Penyelenggara Jasa Internet Indonesia), around 72,41 percent internet users in Indonesia come from urban society. The internet utilization is more complex, not only for communication concern but for making any transaction, order a transportation services, and business instead. Based on geographic region in Indonesia, population in Java are more active with internet around 57,70%, Sumatera 19,90%, Kalimantan 7,97%, Sulawesi 6,73%, Bali-Nusa 5,63%, and Maluku-Papua 2,49% (www.tekno.kompas.com, 16/12/2018)



1

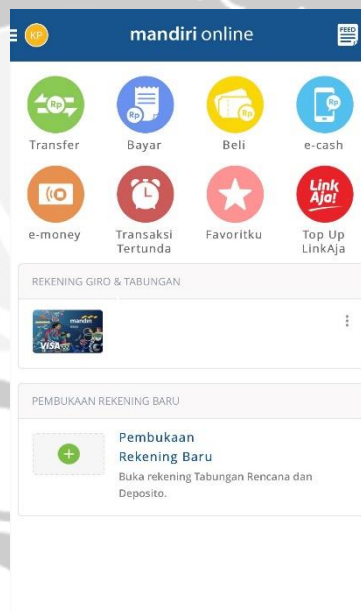
Picture above is the latest data from Global Web Index that users spends around 6 hours each day using internet-powered devices and services, that's roughly one-third of their waking lives.

Bank have a big role to boost economic growth in a country. All business sector such as industry, trading, agriculture, plantation, property business, etc are require a bank service as their partner. According to Undang – Undang no 10 1998, Bank is a business entity that collect funds from customer in a savings and distribute it in the form of loans to increase their living standard. The adoption rate of mobile technologies in businesses has been remarkably growing in the past several years, and the use of this advanced technology has changed the shape of how customers and service providers are engaged in the service delivery process. The banking industry is no exception. The financial industry has been known as one of the early adopters of mobile technologies, which have brought drastic changes to the industry's multi-channel (e.g., offline, online, and phone banking) service environment and its business models (Laukkanen, 2007)

Otoritas Jasa Keuangan (OJK) said that there is a drastic changes for a e-banking users from 13,6 million in 2012 to 50,4 million in 2016 (SMS banking, phone banking, mobile banking, and internet banking) (infobanknews.com, 02/12/2018).

PT Bank Mandiri is the result of the merger made by Indonesian Government from four older government-owned banks that failed in 1998. Those four banks were Bank Bumi Daya (BBD), Bank Dagang Negara

(BDN), Bank Expor Impor (Exim), and Bank Pembangunan Indonesia (Bapindo). During the amalgamation and reorganisation, the government reduced the number of branches by 194 and the number of personnel from 26,600 to 17,620 (www.bankmandiri.co.id, 26/02/2019), in March 2017 PT Bank Mandiri launch Mandiri Online to fulfill their customers need in online transaction, the purpose of Mandiri Online is to give an easiness trasaction in the financial technology (Fintech) era. (www.money.kompas.co.id, 14/12/2018).

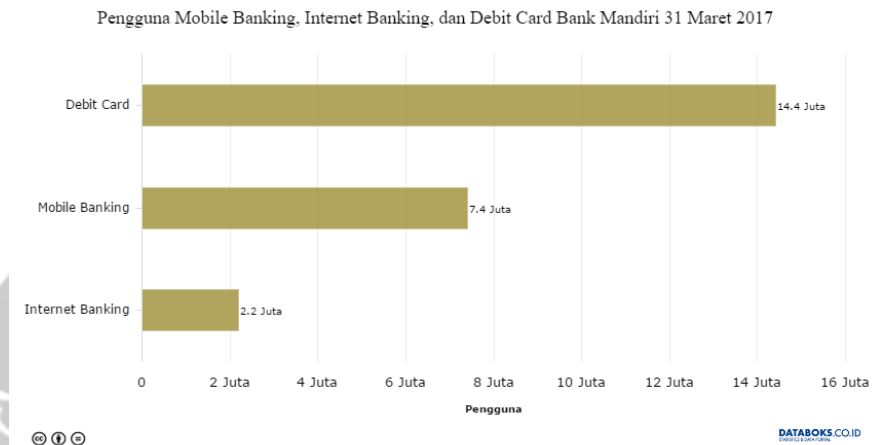


Picture 1.2 Mandiri Online Application

Based on the figure 1.2, there are many feature that Mandiri Online provide , such as:

1. Transfer, a feature that customer can transferring their money through mobile phone.
2. Pay, a feature customer that can pay their daily needs such as: electricity, installments, multipayment, education, etc.
3. Buy, a feature that customer can buy their needs such as mobile token in this feature.

4. E-cash, a feature that allow the customer do a transaction without having a bank account.
5. E-money, a feature that allow the customer top up their e-wallet to fulfill their cashless transaction.



Picture 1.3 Mandiri Online usage

Source : (www.databok.katadata.id, 24/02/2019)

Since Mandiri Online launched in early March 2017, (www.databok.katadata.id, 24/02/2019) found that the usage of Mandiri Online increasing rapidly in 31 march 2017. Around 7,4 million of Bank Mandiri's customer start to use Mandiri online.

Nowadays, internet gives many benefit for all users that have a high mobility in Indonesia, start from education, business, advertising, and banking system and they can perform it only in a device. This rapid development from technology has a big impact to the Indonesia, especially in banking system. Banking system has many progress to make all customer feel comfortable with the service. Therefore, this technology offers many facilities to do some transaction, including in Indonesia

banking world. Information technology is very important right now, many companies in the world want to change itself to be a power house in the global business through many big investment in e-business, ecommerce, and technology venture (Safitri, 2018)

In the previous research on service quality mostly have been validated in Europe and America using SERVQUAL and SERVPERF measurement.

According to Peter and Olson (2010), consumer satisfaction as the degree to which a product or service provides a pleasureable level of consumption-related fulfillment. In other word, it is the degree to which a product's performance exceeds the consumer's expectation for it. In this theory, customer satisfaction will appear when customers are using the services and it's give a benefits for them, for example, if there are no internet banking, our customer will face some difficulties in many transaction process and will lead to customer dissatisfaction. Service company have a big challenge to make our customer comfortable with the services.

Mobile banking get a big attention in this era, because it gives many facilities for their customer, customers are easily to do some transaction such as transfers, buy, pay everywhere and anytime that they want. Therefore, bank need to utilize this technological development as their marketing strategy, such as increasing their customer both in quantity and quality, quantity means the amount of customers increasing significantly from time to time. The quality means, getting some customers that very

productive to give more profit for banks. The more banking system provide an innovations, the customers will feel satisfied as well.

After we know how to make our customer satisfied, it will lead us to make our customers are loyal with our services. There are many benefits if our customers are loyal with our service. They will spread the good news for our services to their friends, therefore our customers will increase. Edvardsson *et al*; (2000) cited in Thakur (2013) loyal means a customer's intention or predisposition to purchase from the same organization

This study attempts to find the relationship of e-service quality to e-customer satisfaction and e-customer loyalty. This study is using 4 key of dimensions of internet banking service quality (personal need, site organization, user friendliness and efficiency of website). From the previous study, Amin (2016) only discussing about internet banking service quality in Malaysian bank, to distinguish it, in this research will use the same theory from Herrington and Weaven (2009) to find the relationship between e-service quality in Bank Mandiri to the e-customer satisfaction and e-customer loyalty.

1.2 Research Question

This study will examine the implication of e-service quality on e-customer satisfaction and e-customer loyalty. There are several questions that we used as guidance to developing this study. From the explanation about the background above, so the research question will be:

1. Does e-service quality influence the e-customer satisfaction in Bank Mandiri?

2. Does e-service quality influence the e-customer loyalty in Bank Mandiri?
3. Does e-customer satisfaction influence the E-customer loyalty in Bank Mandiri?
4. How e-customer satisfaction become mediator toward a relationship between e-service quality and e-customer loyalty in Bank Mandiri?

1.3 Research Objectives

According to the background and research problems of this study, the objectives of this research are :

1. To find out the effect of e-service quality and e-customer satisfaction.
2. To find out the effect of e-service quality and e-customer loyalty.
3. To find out the effect of e-customer satisfaction and e-customer loyalty
4. To find out the effect of e-service quality and e-customer loyalty through e-customer satisfaction as a mediator.

1.4 Research Benefit

This research would be beneficial to several parties:

1. Practical Benefit

This research may helps bank to understand the impact of their internet banking system service quality to the e-customer satisfaction and e-customer loyalty. Especially, increase their service quality to get customers more comfortable based on our findings.

2. For Author

This research will improve the author's knowledge on making a research especially about finding the impact of e-service quality to the e-customer satisfaction and e-customer loyalty.

1.5 Research Sistematic

A systematic research is required to give direction in this research, such as:

Chapter I

This chapter filled with research background, research question, research objectives, research benefit, research limitation, researshr systematic.

Chapter II

This chapter filled with theoritical background, list of previous study as the reference, hypothesis development, conceptual framework.

Chapter III

This chapter filled with data collection method, research variables, operational definition, descriptive analysis, measuring instrument, validity test, analysis tool.

Chapter IV

This chapter filled with discussion and calculation, all result will showed in table and graphic to make the reader easy to read.

Chapter V

This chapter filled with conclusion and advice, conclusion is a short statement to explain the result of the research and proving the hypothesis.

