Service quality and institutional reputation on student’s loyalty

Muhammad Bakrie*, Tri Widayatsih, Ning Herlina
Universitas PGRI Palembang, Indonesia

ABSTRACT
This study highlights the effect of service quality and the reputation of private higher institutions in building student loyalty. This research uses a quantitative approach with a survey method. The research respondents were 185 students from PGRI Palembang University. Analysis techniques using variance-based structural equation models (SEM) SmartPLS. The results of the study indicate that the quality of service has a significant direct effect on reputation, not a significant direct effect on student loyalty. Institutional reputation has a very significant direct effect on loyalty. Student service quality has a significant indirect effect on student loyalty through the reputation of the institution, this implies that the reputation of the institution carries an influence relationship (antecedents) between service quality variables on student loyalty. These findings can help higher education institutions to make better strategic plans to increase student loyalty through improving the quality of service and the reputation of the institution.

Keyword:
Institutional reputations
Service quality
Students’ loyalty
Higher education

Introduction

One of the objectives of improving educational facilities and infrastructure in a city, whether in the form of academics, high schools, institutes and universities, is to provide easy access for the public to obtain higher education, which previously had to go to other big cities to continue their education at a higher level, and provide many alternative choices of universities which have fields of study that are of interest to students and get many opportunities to develop abilities, careers, and unlock potential according to their expectations.

With the increasing demand for high quality service that has globalized, so that the demands for the best platform expected by students such as education services by high quality tertiary institutions must be fulfilled if you want to continue to exist in global competition.

The increasing competition between higher education institutions, so that they are forced to commit to a certain good service quality and adopt a market orientation strategy to differentiate them from competitors by providing good service quality to provide a lasting effect on institutions and students (Thomas, 2011). Another consideration for students in making their choice is the reputation of the university. A good reputation can provide certainty for students about institutional performance, competitive advantage (Sugiharto1 et al., 2021) Contributing to public trust and creating maximum value for the services provided university reputation is a form of achieving sustainable university competitive advantage” (Joseph Iwun, n.d.2014). If an educational institution is to maintain its operations in the highly competitive higher education sector, it must develop a positive reputation and image, maintain good quality of service, and increase student loyalty.(Wong & Woo, 2016).

Quality of service in tertiary institutions as "the difference between what students expect to receive and their perception of what they actually feel". service quality as a key performance measure for excellence in Education (Jastania, 2017). The reputation of an institution is influenced by the quality of services provided by the institution (Kim, 2010). Regarding corporate reputation, most scholars argue that reputation is a function of organizational behavior and relationships with stakeholders.
The reputation of the institution is the main determinant of customer loyalty (Tarus & Rabach, 2013), therefore the vision of student loyalty and the factors responsible for their loyalty behavior should be the main concern when determining the most suitable organizational strategy (Yap et al., 2012). According to (Dehghan et al., 2014) student loyalty is very important for academics and has been the subject of strategic attention for higher education institutions. Student loyalty is greatly influenced by the quality of service and reputation of the higher education institution itself (Fares & , 2013). Therefore, this paper investigates the effect of service quality and reputation of higher education institutions against students’ loyalty, and the variants of the proposed model were examined through a structural equation modeling approach.

Student loyalty has a short-term and long-term impact on educational institutions. Loyal students positively influence teaching quality through active participation and committed behavior (Inuzuka & Chang, n.d.2022) Willing to recommend the institution to others. In addition, more and more graduates are continuing their education at a higher level in the same higher education to increase their knowledge (Prentice et al., 2018). (Zeithaml et al., n.d.2018) state that customer loyalty is an action or strategy that can win the long-term competition, a way to get, retain, and increase the number of customers. Service quality (SQ) is defined as a focused evaluation that reflects customer perceptions on specific dimensions from services provided. Specific perceptions on service dimension are influenced by several factors including the service quality received, product quality, price factor, situational and personal factors. 5 dimensions that determine service quality: Tangibles, Reliability, Responsiveness, Assurance, and Empathy (Zeithaml, et. al., (2018).

Service quality is an important factor for developing and maintaining customer relationships (Rita et al., 2019). Because it has a significant impact on customer loyalty to service companies, this construct is a major determinant of the success or failure of companies in a competitive environment (Chalim et al., 2022). Service quality is the difference between consumers' perceptions on the services offered by a particular company and their expectations about the companies that offer those services (Chou et al., 2011). (Abbas, 2020) suggested two main factors that affect service quality, namely: a) customer perceptions on the real service they receive, and b) service that is actually expected. Service is the behavior of producers in order to meet the needs and desires of consumers in order to achieve satisfaction for the consumers (Kotler & Keller, n.d.2012) (Bungatang & Reynel, 2021) said that service quality is a model that describes the condition of customers in the form of expectations for service from past experiences, word of mouth promotions, and advertising by comparing the service they expect with what they receive.

Reputation is: (a) an assessment by stakeholders of the company's ability to meet its expectations, (b) a collective system of subjective trust among members of a social group, (c) the collective trust that exists within the organization's field (d) the visibility and stability of the media gained by the company and (e) the collective representation that many people have in mind about an organization from time to time (Rotana et al., 2021). Eckert (2017) stated that a company's reputation is relatively stable and long-term as a result of a collective assessment by outsiders of a company's actions and achievements. Hoffmann et. al., (2016), reputation reflects the bona fide of the company. (Seo et al., n.d.2013) define reputation is something that is often expressed or believed about the nature or attitude of a person.

Higher education reputation is “a subjective and collective acknowledgment or assessment of stakeholders towards a university, which shows their views, attitudes, evaluations, levels of trust, admiration, good feelings, and appreciation for higher education institutions from time to time as a result of past actions, which can contribute to the achievement of sustainable competitive advantage for these higher education institutions (Al Shobaki & Naser, 2017). According to (Tienari et al., 2016), university reputation can be built in various ways, namely: “societal significance, interdisciplinary innovativeness, and symbolic break with the past”. Instill goals to be a top university in the world and build a unique interdisciplinary university that fosters innovation relevant to business practice through research and best teaching. Emphasizes novelty and new beginnings through symbols not directly related to university. The three themes above are the three main pillars for building a university's reputation.

Service quality is the difference between customer service expectations and service perceived. The theory of customer behavior says that customer satisfaction is the perspective of the consumer experience after consuming or using a product or service. An effective way of measuring customer satisfaction is to assess the relationship between customer satisfaction and service quality (Rareş, 2014).

According to (Mahmood et al., 2018) customer satisfaction can mediate the relationship between quality and customer loyalty. The creation of customer satisfaction is formed from the quality of service obtained by consumers in accordance with expectations/desire, can provide several benefits, including the relationship
between companies/institutions and customers/students to be harmonious, providing a good basis for repeat purchases and creating customer loyalty, as well as forming recommendations. Word of mouth that benefits companies/institutions, such as a higher education institution (Ozdemir et al., 2016). There are two elements that make up reputation according to Akhtar et. al., (2016), the service quality and the work of the institution. Reputation is a goal as well as an achievement to be achieved for company. The company's reputation is recognized as one of the main determinants of consumer loyalty (Walsh et al., 2015). Therefore, service provider companies use the company's reputation as a tool to shape consumer behavior for repeat purchases from the company. Brand reputation had a significant positive effect on brand loyalty. The brand has a significant effect on brand loyalty (Hadi & Indradewa, 2019)

According to (Ting et al., 2018) that service quality determine the reputation of an institution because that reputation can provide an attraction to attract customers. Customers who receive good quality products will feel happy and the experience will be shared with others, so that the reputation image will be stronger. A strong reputation is an indicator of the value of product or service quality. The dimension of service quality is one of the dimensions of reputation in educational settings, including universities. University academic reputation can be measured from reputation at the level of study programs, reputation at the institutional level and academic performance (Joseph Ibnu, n.d.2014). From description of student service quality and the reputation theory of a higher education institution above, it can be assumed that the service quality can have direct effect on the reputation and encourage the formation of a direct influence on the loyalty of higher education institutions.

Based on the literature review stated above, it is possible to formulate the conceptual framework in Figure 1 and the following hypotheses:

H1 Service quality has a direct positive effect on student loyalty.
H2 The reputation of the institution has a direct positive effect on student loyalty.
H3 Service quality has a direct positive effect on the institutional reputation.
H4 Service quality has an indirect effect on student loyalty through the variable reputation of the institution.

Methods

The population of this study were all final semester students of PGRI Palembang University who were registered in the 2018/2019 academic year, as many as 1,776 students. The number of samples is determined according to (Nanjundeswaraswamy & Divakar, 2021) for continuous data with a margin of error of 3%, and alpha 1%. The number of samples required is 185 students. Determination of respondents is done by simple random sampling and proportional to each study program.

Results and Discussion

The results of the research are made in a theoretical model diagram, then an analysis is carried out to calculate the path coefficient using the software algorithm SEM-SmartPLS 3.0. Factorial analysis in the
structural model and its relation to the dimensions of each variable of student loyalty, service quality and institutional reputation is carried out by calculating the loading factor value of each indicator on each dimension of each variable. The results of the analysis of the loading factor values are presented in Tables 1, 2, 3, 4 and 5.

Table 1. Outer Loading Factors Variable Student Loyalty (Y)

<table>
<thead>
<tr>
<th>No. Indicator Items</th>
<th>Student Loyalty Variable (Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Y1</td>
</tr>
<tr>
<td>Q7</td>
<td>1,000</td>
</tr>
<tr>
<td>Q10</td>
<td></td>
</tr>
<tr>
<td>Q11</td>
<td></td>
</tr>
<tr>
<td>Q13</td>
<td></td>
</tr>
<tr>
<td>Q14</td>
<td></td>
</tr>
<tr>
<td>Q18</td>
<td></td>
</tr>
<tr>
<td>Q20</td>
<td></td>
</tr>
<tr>
<td>Q27</td>
<td></td>
</tr>
</tbody>
</table>

From the results of PLS Algorithm Figure 1. and the tabulation matrix, an evaluation was carried out to determine the convergent validity of each value of the indicator observation results. The results of the evaluation of the convergent validity model show that all loading values are greater than 0.7, so that all indicators are declared valid and can be used for further analysis. PLS Algorithm output against the AVE value as given in Table 2 shows that the indicators in the model are declared all valid, where all AVE values are greater than 0.5.

To ensure that there are no problems related to measurements for the structural model, the step taken is to test the unidimensionality of the model using composite indicators reliability and alpha cronbach. For these two indicators the cut-off value is 0.7. Table 1 shows that all indicators have a composite value of reliability and Cronbach’s Alpha above 0.7. Therefore, no reliability/indimesiaoneality problems were found in the formed model, and the sub-indicators were consistent in measuring the construct.

From the validity test of the comparison of the square root values of AVE and S square in Tables 2 and 3, it is known that the constructs in the model can be said to have good discriminant validity.

Table 2. Value of AVE, Composite Reliability and Cronbachs Alpha and R Square

<table>
<thead>
<tr>
<th>Variable</th>
<th>AVE</th>
<th>Composite Reliability</th>
<th>Cronbachs Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>0.555</td>
<td>0.966</td>
<td>0.963</td>
</tr>
<tr>
<td>Loyalty</td>
<td>0.075</td>
<td>0.938</td>
<td>0.931</td>
</tr>
<tr>
<td>Reputation</td>
<td>0.598</td>
<td>0.959</td>
<td>0.956</td>
</tr>
</tbody>
</table>

Table 3. Latent Variable Correlation

<table>
<thead>
<tr>
<th>Variable</th>
<th>Quality</th>
<th>Reputation</th>
<th>Loyalty</th>
<th>Root AVE</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>1.000</td>
<td></td>
<td></td>
<td>0.686</td>
<td></td>
</tr>
<tr>
<td>Reputation</td>
<td>0.785</td>
<td>1.000</td>
<td></td>
<td>0.674</td>
<td>0.714</td>
</tr>
<tr>
<td>Loyalty</td>
<td>0.590</td>
<td>0.678</td>
<td>1.000</td>
<td>0.631</td>
<td>0.610</td>
</tr>
</tbody>
</table>

Table 4. Inner Model Direct Effect Value

<table>
<thead>
<tr>
<th>Influence</th>
<th>Path coef.</th>
<th>t-value</th>
<th>P value</th>
<th>Conclusion</th>
</tr>
</thead>
</table>

Hypothesis test

Hypothesis testing ($\beta$, $\gamma$, and $\lambda$) was carried out using the resampling Bootstrapping method developed by (Hair et al., 2012). The statistic test using t statistic or t test. The results of the analysis related to the results of hypothesis testing and an explanation of the strength of the relationship between variables involved in this analysis can be seen in Table 4 and 5.

Based on bootstrapping results (Tables 7 and 8) were tested on ten hypotheses. The test results show that five of the ten hypotheses proposed are supported because they have a t value of >1.98 and a p value of <0.05, which means that it has a positive and significant effect, namely H2. Institutional reputation has a direct positive and significant effect on student loyalty; H3 service quality has a positive and significant direct effect on institutional reputation, and H4 service quality significantly positive and significant indirect effect on loyalty through institutional reputation ($t_{value}=6.363>1.98$, $p_{value}=0.00<0.05$ For 1 (one) hypothesis that does not support, which means no significant effect, namely : H1 service quality does not have a direct influence on student loyalty ($t_{value}=1.029<1.98$, $p_{value}=0.304>0.05$).

**The Direct Effect of Service Quality on Student Loyalty**

Service quality has no direct effect on loyalty. This statement is based on the path coefficient value of 0.102, the estimated T value of 1.029 < 1.96 and the P value of 0.304 > 0.05. The direct effect of service quality on student loyalty is only 10.2% (very low) and the remaining 89.8% is influenced by other factors. So the quality of academic services provided to students such as providing good physical facilities, reliability, responsiveness, assurance, and direct attention to students that are currently being carried out have not been able to make students loyal. The results of this study are in line with the research of (Dib, 2013).

In contrast to the research of (Chandra et al., n.d.2018), the service quality variable has a positive and significant direct influence on loyalty. The difference in the results of this study is caused by differences in the level of service quality provided by a university to the quality of service that has not exceeded student expectations.

**The Influence of Institutional Reputation on Student Loyalty**

The results of this study indicate that institutional reputation variable has a direct and significant effect on student satisfaction. The direct effect is 0.524, the T statistic is 6.572>1.96 and the P-value is 0.00<0.050. In other words, if the reputation of the institution increases or decreases by one unit, student satisfaction increases or decreases by 0.524 units, meaning that reputation has a direct influence on student loyalty and from the qualitative analysis above indicates that a high reputation, or broad recognition of the institution, is closely related with student loyalty.

Theoretically, this can be explained that the good quality of service, the wide gait of the university, the recognition of the Government, namely the National Accreditation Board, and a positive student/graduate profile can be said to be a high driving factor for students not to move or attend lectures until they finally graduate. This study recommends to others, willing to continue studying Masters, and maintain good relations with the college where they study. The results of this study are in line with the results of research conducted by (Nguyen & LeBlanc, 2018).

Through a strategy built for maintaining and keep continuing improve reputation through improving facilities and infrastructure, developing roles and obtaining various recognitions from various parties, it is
clear that it is easier for a higher education institution to excel in highly fierce competition, which in the end the public’s interest in choosing to study at university will be greater.

In the relation of reputation to loyalty, the most significant factor is the reputation of study program that chosen by student. That is, the better the reputation of the study program, it will automatically increase student loyalty to higher education institutions as a whole. This study confirms the results of research conducted by (Dehghan et al., 2014) that the higher the reputation will automatically increase student loyalty.

**The influence of service quality on institutional reputation**
The results of hypothesis testing indicate that service quality has a direct and significant effect on the institutional reputation. The reputation of a well-known institution can increase student satisfaction and student loyalty. Good service quality is a characteristic of educational institutions that are able to improve the reputation of the institution. These results support the findings of the research by (Dehghan et al., 2014).

Institutions with strong reputations enjoy superior market positions, although they need to continually reinvest in resources and skills to maintain their competitiveness. University administrators can handle parental or student satisfaction to achieve a good university reputation. A carefully crafted and implemented program to enhance parent/student satisfaction and the reputation of the institution will be an important tool for attracting students in the future.

**Indirect Effect of Service Quality on Student Loyalty through Institutional reputation variables**
Path coefficient value of direct influence of service quality variable on reputation is 0.785 and the influence of reputation on student loyalty is 0.488, then the indirect effect of service quality on loyalty is 0.383 while the direct effect of service quality on student loyalty is 0.102, then the total effect of service quality on student loyalty is 0.488 and t statistic = 6.363, and p value = 0.00, this means that the reputation construct of the institution is said to be able to mediate in increasing the effect of good service quality. This can be seen from the increase in the path coefficient value from 0.102 to 0.488 or the increase in influence from 10.20% to 48.8%. Thus, the total effect of service quality on student loyalty is 0.590 with an estimated T value = 12.145 > 1.96 and a P value = 0.00 < 0.05, which can be concluded that service quality indirectly has a significant effect on student loyalty through the variable the reputation of the institution. These results are in line with the results of research conducted by (Fares & ., 2013) that service quality, student satisfaction, and university reputation have positive effects on student loyalty and (Nguyen & LeBlanc, 2018) loyalty has a tendency to be higher when perceptions of both institutional reputation and institutional image are favourable.

**Conclusion**

Based on the study of the conceptual framework of four hypotheses. Overall, three hypotheses were found to be supported and one hypothesis was not supported. Service quality does not directly affect student loyalty. The reputation of the institution has a direct and significant effect on student loyalty. Service quality has a significant direct effect on the reputation of the institution. Service quality indirectly through the reputation of the institution has a significant effect on student loyalty. These results indicate that the quality of service provided can shape students to be loyal through the variable reputation of the institution. Based on research findings that the quality of service is very influential on the institutional reputation. Therefore, educational institutions need to continue improving the quality of service in order to improve the reputation of the institution, and ultimately increase student loyalty. The influence of institutional reputation on loyalty is the most significant factor. Where the higher the reputation of the institution it will be able to increase student loyalty to higher education institutions as a whole. Student loyalty is one of the key success factors in managing higher education. Students do not transfer colleges to other places, students' willingness to recommend other people to study where they are currently studying and are willing to continue their master's degree and maintain good relations with colleges are four strategic impacts of student loyalty. The findings of this study provide managerial implications in the context of increasing student loyalty. The results of this study indicate that service quality is an appropriate instrument to measure service quality in education. In addition, because all dimensions of service quality attributes are positively correlated with reputation, educational institutions must emphasize all dimensions of service quality in maintaining and improving service quality for students. In an effort to build student loyalty, what must be a concern for higher education management is to continue to maintain and improve the reputation of the institution and continue to strive to improve and improve the quality of service in order to provide better student loyalty.
References


