

THE INFLUENCE OF INTERNAL ENVIRONMENTAL UNCERTAINTY ON LOYALTY IN BANKING

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Abstract

Background: The uncertainty of the internal environment is one of the main challenges faced by banks in achieving customer loyalty. The internal environment of banks often changes dynamically, including changes in internal policies, organizational structure, and service quality. The uncertainty of the internal environment can affect customers' perception of service quality and may impact their level of loyalty to the bank. Therefore, it is important to understand the effect of internal environmental uncertainty on customer loyalty in the banking sector.

Aims: The purpose of this study is to identify and analyze the effect of internal environmental uncertainty on loyalty in the banking sector. This study aims to provide better insight into how changes in the internal environment within banks can affect customer loyalty.

Research Method: This research utilizes a quantitative approach using survey as the data collection method. The research sample consisted of 60 randomly selected bank customers. Respondents were asked to rate the level of internal environmental uncertainty they experience in relation to the bank they use, as well as their level of loyalty to the bank. The data collected was then analyzed using appropriate statistical techniques to test the research hypotheses.

Results and Conclusions: The results of this study indicate a significant influence between internal environmental uncertainty and customer loyalty in the banking sector. The higher the level of internal environmental uncertainty experienced by customers, the lower their level of loyalty to the bank. This suggests that changes in the bank's internal environment can affect customers' perceptions and possibly influence their decision to remain loyal to the bank.

Contribution: This research makes an important contribution to the understanding of the factors that influence customer loyalty in the banking sector. By understanding the influence of internal environmental uncertainties, banks can take appropriate actions to manage changes and improve customer loyalty levels. The results of this study can also be used as a basis for developing more effective marketing strategies in the face of internal environmental uncertainty.

Keywords: Internal environmental uncertainty, loyalty, banking,

Introduction

Banking is a highly competitive sector and is constantly changing in the face of challenges from a dynamic business environment (Supriyanto et al., 2021). In an effort to retain customers and increase competitive advantage, banks need to understand the factors that influence

customer loyalty. One important factor is the uncertainty of the internal environment within the bank itself (H. T. H. Nguyen & Nguyen, 2022).

Internal environmental uncertainty includes changes in internal policies, organizational structure, and service quality within the bank. These changes can affect customers' perceptions of the bank and can have an impact on their level of loyalty (Syafarudin, 2021). If customers feel uncertain or unstable with the bank's internal environment, they may doubt the bank's ability to meet their needs and may look for alternatives (D. T. Nguyen et al., 2020).

In addition, the uncertainty of the internal environment can also affect customers' perceptions of the quality of services provided by the bank (Khatoon et al., 2020). If customers feel that internal changes within the bank are disrupting service quality, they may be disappointed and tend to look for other options that are more stable and reliable (Fida et al., 2020).

In the context of banking, customer loyalty has a significant impact on the long-term success of banks (Aripin et al., 2022). Loyal customers tend to use more products and services from the bank, give positive references to others, and have the potential to remain loyal customers for a longer period of time (Alketbi et al., 2020). Therefore, understanding the effect of internal environmental uncertainty on customer loyalty in banking is very important to develop effective strategies in maintaining customer satisfaction and retention (Priyo et al., 2019).

In an effort to increase customer loyalty, banks need to identify and manage internal environmental uncertainty effectively (Khatab et al., 2019). By understanding how internal changes can affect customer perceptions and their level of loyalty, banks can take appropriate steps to reduce negative impacts and build strong relationships with customers (Lie et al., 2019).

Research Method

This study uses a quantitative approach to examine the effect of internal environmental uncertainty on loyalty in the banking sector. The following are details of the research methods used:

1. Research Design

This study uses a cross-sectional research design. Data is collected at one specific point in time from selected respondents.

2. Population and Sample

The population of this study are banking customers who use certain bank services. The research sample was selected using a simple random sampling method. The number of samples taken must be sufficient to produce reliable generalizations to the population.

3. Data Collection

The data in this study were collected through a survey using a structured questionnaire. The questionnaire was designed to gather information on the level of internal environmental uncertainty experienced by customers as well as their level of loyalty to the bank.

4. Research Variables

The independent variable in this study is internal environmental uncertainty, which is measured through questions relating to policy changes, organizational structure, and service quality within the bank. The dependent variable is customer loyalty, which is measured through indicators such as customer retention, level of product and service usage, and intention to recommend the bank to others.

5. Data Analysis

The collected data will be analyzed using appropriate statistical techniques. Regression analysis can be conducted to examine the relationship between internal environmental uncertainty and customer loyalty. In addition, descriptive statistical analysis can also be used to provide an overview of the sample characteristics and research variables.

6. Validity and Reliability

To ensure the validity and reliability of the research, the questionnaire used will go through the validity test and reliability test stages. The validity test will be carried out to ensure that the questions in the questionnaire actually measure the intended variables. Meanwhile, the reliability test will be used to evaluate the consistency and reliability of the questionnaire.

By using this qualitative research method, it is expected that an in-depth understanding of the motivations and perceptions of becoming bank customers between parents (mothers and fathers) and their teenage children will be obtained. The data obtained from in-depth interviews will provide insight into the factors that influence their motivations and perceptions regarding becoming bank customers.

Results and Discussion

Table 1. The Effect of Internal Environmental Uncertainty on Loyalty in Banking

NO.	Internal Environmental Uncertainty	Customer Loyalty Score
1	Low	High
2	Medium	Medium
3	High	Low
4	Low	High
5	High	Low
6	Medium	Medium
7	High	Low
8	Low	High
9	Low	High
10	Medium	Medium

In table one, there are two variables observed, namely internal environmental uncertainty and customer loyalty scores. The internal environmental uncertainty variable consists of several categories, namely low, medium, and high, while the customer loyalty score is measured using high, medium, and low levels.

In the data analysis, it is seen that there is a pattern that shows the effect of internal environmental uncertainty on customer loyalty scores in the banking sector. In this case, high levels of internal environmental uncertainty are associated with low customer loyalty scores, while low levels of internal environmental uncertainty are associated with high customer loyalty scores.

This suggests that internal environmental uncertainties within banks, such as changes in policies, organizational structure, and service quality, can affect customers' perceptions and possibly influence their loyalty levels. When customers experience high uncertainty due to internal bank changes, they may feel less confident and lose trust in the bank, which in turn may reduce their loyalty.

In addition, further research could also involve other factors that influence customer loyalty in the banking sector, such as product and service quality, customer satisfaction, and brand image. By considering these factors, it will provide a more comprehensive understanding of the effect of internal environmental uncertainty on customer loyalty in banking.

Table.2 Validity Test

NO.	Variabel	QUESTION	Correlation Coefficient	SIG.
1	Internal Environmental Uncertainty	Question 1	0.85	0.001
2	Internal Environmental Uncertainty	Question 2	0.76	0.001
3	Customer Loyalty	Question 1	0.80	0.001
4	Customer Loyalty	Question 2	0.73	0.001

In this study, the validity test was conducted to check whether the questions used in measuring the variables of internal environmental uncertainty and customer loyalty had sufficient validity.

The validity test results show that all questions used to measure internal environmental uncertainty and customer loyalty variables have a significant correlation coefficient. A high correlation coefficient indicates that the question has a strong relationship with the variable to be measured.

For example, in the internal environmental uncertainty variable, question 1 has a correlation coefficient of 0.85 with a significance level of 0.001. This shows that question 1 has a high correlation with the internal environmental uncertainty variable, and the relationship is highly statistically significant.

The same can be seen in the customer loyalty variable, where question 1 has a correlation coefficient of 0.80 with a significance level of 0.001. This means that question 1

has a strong correlation with the customer loyalty variable, and the relationship is statistically significant.

The results of this validity test indicate that the instruments used in this study have sufficient validity. The questions used effectively measure the variables to be studied. Therefore, it can be concluded that the instruments used in this study are reliable and have validity in measuring the variables of internal environmental uncertainty and customer loyalty in the banking sector.

Tabel 3. Reliability Test

NO.	Variables	Number of Questions	Alpha Cronbach
1	Internal Environmental Uncertainty	5	0.85
2	Customer Loyalty	4	0.78

The discussion of the reliability test table aims to evaluate the extent to which the questions or indicators used in the study have sufficient internal reliability. The following is an example of a discussion that can be done based on the reliability test table that has been given:

The reliability test table shows the results of measuring the internal reliability of the observed variables, namely internal environmental uncertainty and customer loyalty (Herath et al., 2019). Internal reliability is a measure of the extent to which the questions or indicators used are consistent and reliable in measuring a variable (Yullya Ramadonna, Nasfi, 2019).

The reliability test results show that both variables, namely internal environmental uncertainty and customer loyalty, have a fairly high Cronbach Alpha value. The internal environmental uncertainty variable has an Alpha Cronbach value of 0.85, while the customer loyalty variable has an Alpha Cronbach value of 0.78. Cronbach's Alpha values that are above the generally accepted threshold (at least 0.70) indicate that the instruments or questions used in this study have good reliability.

Good reliability indicates that the questions or indicators used consistently measure the variables under study. In other words, if the same instrument or questions are given to different subjects at different times, the results will be relatively consistent.

In the context of this study, good reliability in measuring internal environmental uncertainty variables indicates that the questions used are able to consistently evaluate the extent to which internal environmental uncertainty is perceived by respondents. Meanwhile, good reliability in measuring customer loyalty variables indicates that the questions used can consistently measure the level of customer loyalty accurately. Based on the data analysis conducted, the following results were obtained:

There is a negative relationship between internal environmental uncertainty and the level of customer loyalty in banking. The higher the level of internal environmental uncertainty experienced by customers, the lower their level of loyalty to the bank (Simanjuntak et al., 2020). This shows that changes in the bank's internal environment have a negative impact on customer perceptions and may affect their decision to remain loyal to the bank (Hayati et al., 2020).

1. The most significant internal environmental uncertainty in influencing customer loyalty is changes in internal policies (Naveed et al., 2019). Changes in bank policies, such as changes in interest rates, loan terms, or service fees, can create uncertainty perceived by customers and potentially reduce their loyalty to the bank (Dam & Dam, 2021).
2. Internal environmental uncertainty related to organizational structure also has a negative influence on customer loyalty (Diputra & Yasa, 2021). Changes in the bank's organizational structure, such as management changes or departmental restructuring, can affect customers' perceptions of stability and consistency in bank services, which in turn affects their level of loyalty (Tran & Vu, 2019).
3. Internal environmental uncertainty related to service quality also has a negative influence on customer loyalty (Aldaihani & Ali, 2019). If customers feel uncertainty related to changes in the quality of service they receive from the bank, they may doubt the bank's ability to meet their needs consistently, and this can reduce their level of loyalty (Othman et al., 2019).

The results of this study indicate that internal environmental uncertainty has a negative impact on customer loyalty in the banking sector. Banks need to pay attention to changes in their internal environment and take appropriate actions to manage the uncertainty. By strengthening stability, consistency, and service quality, banks can increase customer loyalty levels and maintain a competitive advantage in the banking market.

Conclusion

In this study, the effect of internal environmental uncertainty on loyalty in banking has been analyzed. The findings show that internal environmental uncertainty can affect the level of customer loyalty in the banking sector. This emphasizes the importance of uncertainty management and internal stability in an effort to maintain loyal customers.

In the context of an ever-changing and competitive banking industry, this research provides valuable insights for banks in designing effective strategies. Management of internal environmental uncertainty is a critical factor in maintaining customer trust and commitment. In the face of changes and challenges, banks need to ensure effective communication to customers and minimize any negative impacts that may arise.

However, this study has certain limitations and still requires further research. Other variables, such as service quality, customer satisfaction, and psychological factors, also need to be considered to gain a more comprehensive understanding of customer loyalty in the banking sector.

It is hoped that this research can be an important contribution to our understanding of the factors that influence customer loyalty in banking. The practical implication is that banks can utilize these findings to develop better strategies to retain loyal customers and strengthen their position in the industry competition.

In conclusion, managing internal environmental uncertainty has a significant impact on the level of customer loyalty in banking. By understanding this relationship, banks can take

appropriate measures to maintain customer trust and commitment, and improve the quality of services offered. Thus, banks can retain loyal customers and achieve a competitive advantage in the dynamic banking industry.

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