TRANSPARENCY OF COOPERATIVE MANAGEMENT REPORT AS A PART OF SERVICE QUALITY IN IMPROVING MEMBERS' SATISFACTION AND LOYALTY

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Abstract: **This study aims to develop the dimension of SERVQUAL structure and analyze its influence on satisfaction and loyalty of cooperative members. The method used is a mix method research, started from a qualitative method to explore the possibility of factors that have not been accommodated in each SERVQUAL dimension, involving three informants. The results were then tested empirically by involving 95 cooperative members as sample. This study found a new item and proved significantly as a complement to assurance dimension, which is "transparency of management reports for financial cases in the context of cooperatives as a guarantee for members in saving fund". These finding complements and successfully strengthens SERVQUAL and significantly affects satisfaction and loyalty of cooperative members as customers, either partially or simultaneously. Originality or value of this study is to fills the gaps in the study of management report transparency for financial cases as a construction to service quality, transparency of financial statements, related to trust and company image. The results of this study considered as pioneer in the context of cooperatives, that transparency of management reports for financial cases affects members' satisfaction and loyalty.**

Keywords: **Service quality, Consumer satisfaction, Loyalty, SERVQUAL, Financial Report Transparency, Cooperative.**

1. INTRODUCTION

1.1 Research background:

Cooperative is a business entity consisting of people or legal entity as people's economic movement based on kinship principle. Cooperative has distinctive characteristic that is different from other business entities, namely having dual identity, where members of the cooperative are also the owners as well as customers or users of products or services produced by the cooperatives. Savings and Loans Cooperative (KSP) is one form of intermediary financial institutions that collect funds from parties who have surplus of funds and channeled it efficiently to parties who have deficit of funds, both depositors and borrowers are members of the KSP (Atmadja, 2014).

Customers in this case cooperative members always judge service received by comparing it with what is expected or desired (Parasuraman *et al.,* 1993). Members' loyalty can result from satisfaction. Members' satisfaction involves their perceptions and expectations of savings and loan services obtained from the cooperative. While loyalty relates to what members do after interacting in the process of saving and loan.

In a simple way, cooperative performance is actually based on customer loyalty as a member. Loyal customers can save up to four to five times the cost of getting new customers (Peters, 1987; Mittal and Lassar, 1998). Service quality and customer satisfaction is a very important concept that cooperatives must understand if they want to stay competitive and grow. In today's competitive environment, providing high-quality services is the key to sustainable competitive advantage. Customer satisfaction has a positive effect on the profitability of an organization (Angelova & Zekeri, 2011). However, the low quality of cooperative's human resources in Indonesia, the existence of fraud cases, as well as the less optimal role of supervisors lead to poorer cooperative viability and performance, thus making people traumatized and have negative perceptions towards cooperatives (Susilowati *et al.,* 2014).

KSP Bhuwana Sardula continues to increase the number of its members each year to make the market bigger and improve its service quality to members, but in fact the amount of loans granted to members decreased by 9.13%, and the total nominal savings of members fell by 17.97% in 2016. Decrease in the amount of loans and deposits, as the number of members increases and the effort to improve service quality is a problem that found with respect to business phenomena experienced in the context of cooperatives. Factors in service quality dimension as determinant of member satisfaction should be improved, then satisfied members will be able to form loyalty.

The problems that have been presented require an empirical study of the effect of service quality on satisfaction to create loyalty in the context of cooperatives. SERVQUAL concepts are adopted to measure service quality.

1.2 Research gap:

Previous research on the effect of service quality on customer loyalty is not completely uniform. Some found significant influence (Lee, 2013; Auka *et al.,* 2013; Choknumkij and Fongsuwan, 2014; Ivanauskienė and Volungėnaitė, 2014; Picón *et al.,* 2014; Khan *et al.,* 2014; Sharifi *et al.* , 2015; Aghdaie *et al.,* 2015; Purwanto *et al.,* 2015; Rashid *et al.,* 2016; Ismail and Yunan, 2016; Beigi *et al.,* 2016). There are also different findings (Osman and Sentosa, 2013; Albarq, 2013; Chotivanich, 2014; Rashid *et al.,* 2016). In addition to the resulting gap, SERVQUAL method has very limited use in cooperatives.

Methods of service quality measurement continue to be developed as a predictor of satisfaction and loyalty, including SERVQUAL. A number of criticisms have occurred against SERVQUAL (Carman, 1990; Babakus and Boller, 1992; Johnston, 1995). Is the SERVQUAL model still appropriate to measure service quality (Kampakaki, and Papathanasiou, 2016). Despite criticism, SERVQUAL remains the model of choice for measuring service quality in various sectors (Mohsin Muhammad Butt & de Run, 2010).

1.3 Purpose and structure of the paper:

This research attempts to fill the gap of empirical study results on the influence of service quality on customer satisfaction and loyalty, through the development of SERVQUAL dimension in the context of cooperative services.The result of the development is then empirically tested on its effect toward customer satisfaction and loyalty. The development of SERVQUAL is deemed necessary considering the evidence in various studies that the context of dimensional scale structure tends to differ and vary across studies in various countries (Izogo and Ogba, 2015). Cross-cultural empirical findings seem to indicate that the SERVQUAL scale is also specific to a country (Ford *et al.,* 1993).

2. LITERTURE REVIEW AND HYPOTHESES

2.1 Servqual:

Service quality has been conceptualized as the difference between customer's expectation of service to be received and the services they have received. There are five dimensions of service quality in the context of SERVQUAL namely; tangible, reliability, responsiveness, assurance, and empathy (Parasuraman *et al.,* 1988). SERVQUAL has proven to be a model that has been widely used in various organizations and industries to measure service quality including banks (Siddiqi, 2011).The ability of SERVQUAL dimensions to predict customer satisfaction and loyalty has been largely proven

empirically(Lai and Nguyen, 2017), but some studies have developed the dimensional scale structure to function well in accordance with the characteristics of each industry's problems (Izogo and Ogba, 2015). The development was done due to in some cases SERVQUAL was found to be imperfectly capable as a predictor of satisfaction and loyalty.

Service quality is a multidimensional concept (Baker, 2013). Continuous development is needed. Parasuraman *et al.* (1985) initially identified ten dimensions of service quality, and subsequently changed them to five (Parasuraman *et al.,* 1988).

2.2 Loyalty:

The term loyalty has been used to describe the customer's willingness to continue subscribing to a company over the long term, by purchasing and using its goods and services repeatedly and exclusively, and voluntarily recommending the company's products to friends and associates (Silaban, 2015). Heidari *et. al.,* (2014)mentioned that customer loyalty is the customer's commitment to repurchase the product or use the service consistently despite alternative products and services. Albarq (2013) stated that customers will be loyal to the people who help them in resolving the problem beyond what they could expect.

The effect of loyalty to the company is to provide a continuous source of income over the years. Loyalty will only continue to exist as long as customers feel that they receive better value (including higher quality) than what can be obtained by switching to other service providers (Saddiqi, 2011). Ismail and Yunan (2016) also supported the research conducted by Angelova and Zekiri (2011) which states that customer loyalty plays an important role for the company.

In the context of cooperative customers are also cooperative members, members' loyalty is a must for cooperatives if they want to remain exist. Finding new member is a difficult thing, but much more difficult is retaining the remaining members. Gaining customer (members) loyalty is the most important key to win the competition (Poku *et al.,* 2013). In various literature and empirical studies, service quality isthe antecedent of customer loyalty (Zins, 2001). Based on the description, can be formulated below hypothesis.

Hypothesis 1 Service Quality positively influences customer loyalty

2.3 Costumer satisfaction:

Kotler and Keller (2007: 102) define customer satisfaction as the level of one's feelings as a result of comparison between reality and expectations received from a product and service. The academic literature postulates customer satisfaction is a function of incompatibility between previous consumer expectations and the perception of purchase (Olusanya, *et al.,* 2015). Customer satisfaction is defined as attitude resulting from what customer believes to happen (expectation) compared to what they believe happens (perceived performance). Satisfaction strengthens perceived quality and encourages repeat purchase (Lau *et al.,* 2013).

Customer satisfaction is largely positioned as mediation in most marketing cases. There are predecessor variables. In service context, the variable is service quality. Empirical studies have proved that satisfaction is influenced by service quality (Markovic and Jankovic, 2013; Arokiasamy and Abdullah, 2013; Saghier and Nathan, 2013; Selvakumar, 2015; Malik, 2012; Gupta and Bansal, 2012; Sharma *at al.,* 2016; Rashid *et al.,* 2016; Beigi *et al.,* 2016).

According to Gupta and Bansal, (2012) transformation of high quality service is a must to achieve customer satisfaction. The research is in line with Mohsan *et. al.,* (2011) who found that customer satisfaction is a result of service quality. Markovic and Jankovic (2013) identify that there is a positive and significant correlation between service quality dimensions and overall satisfaction. Based on the description, a hypothesis can be formulated, that service quality influences customer satisfaction in the context of this study where customer is also a member of the cooperative.

Hypothesis 2: Service quality positively influences members' satisfaction

The position of satisfaction as an intermediary between elements of quality with loyalty, showed that satisfaction affects loyalty. Behdadfar et. al., (2014) found that customer satisfaction haspositive and significant impact on customer loyalty. This study is also in line with research conducted by Molaee *et al.* (2013); Picón *et. al.,* (2014); Beigi *et. al.* (2016). Chinomona and Dubihlela, (2014) who found that satisfaction has positive influence on repurchase intention, and possibly recommending products or services to others. Based on satisfaction impact on customer loyalty from various concepts and empirical studiesfindings hence can be formulated hypothesis as follow:

Hypothesis 3: Members'satisfaction has positive and significant impact on cooperative members' loyalty
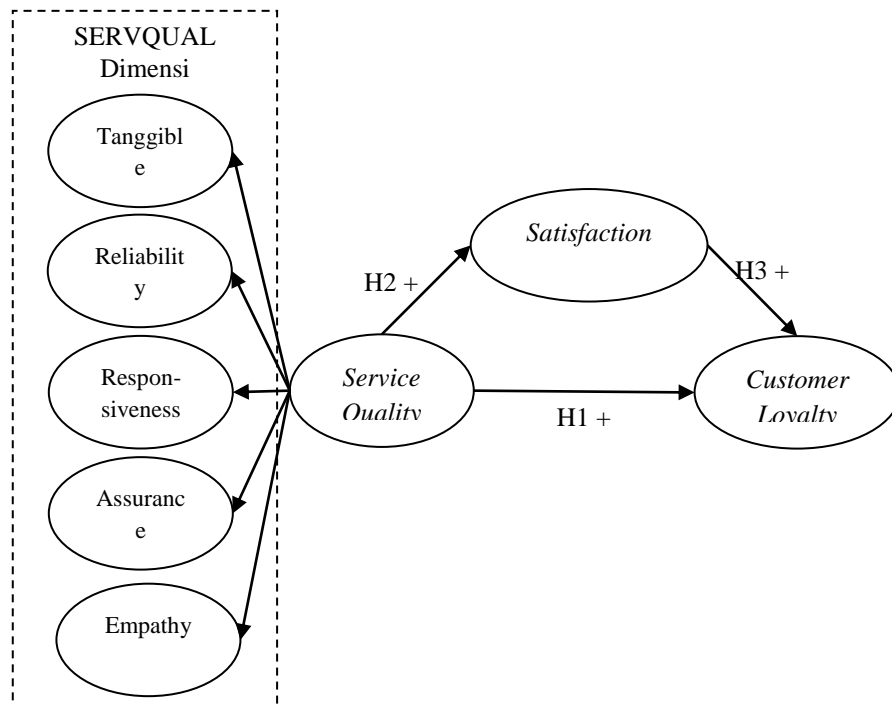
Picture 1: Conceptual Framework

3. RESEARCH METHOD

3.1 Research Design:

This research uses mixed method research design. First, qualitative method is used to explore cooperative members' expectations of service quality they expect, and then strictly examine the meaning of informant's statement as cooperative members in relation to service quality expected. The captured meaning began to saturate at the third informant. The results can be revealed that most of the formulated meanings are confirmed in the important items of SERVQUAL dimension. One important unconfirmed finding is "transparency of cooperative financial statements" as an assurance dimension.

3.2 Content validity ratio:

Content validity test involves 14 informants consisting of experts and cooperative members. New items found were analyzed by content validity ratio (CVR) method by distributing questionnaires of content validity to at least 14 respondents as panelists. The measurement scale is divided into 4 points, namely; 1 is irrelevant, 2 is somewhat relevant, 3 is quite relevant, and 4 is highly relevant (Zamanzadeh *et al.,* 2015). Respondents who chose points 3 and 4 were deemed to agree with the item of question representing the construct (Zamanzadeh *et al.,* 2015). While points 1 and 2 mean disagreed, CVR for each item can be calculated by a formula (Yen *et al.,* 2009; Zamanzadeh *et al.,* 2015).

The results of the content validity test show that the panelists choose score 3 and 4,it means transparency of cooperative financial report can be accepted as part of assurance dimension. The next step includes the findings as part of the assurance items to be tested in validity and reliability of the questionnaire.

3.3 Variables and measures:

There are three latent variables involved in this research model, those are service quality, satisfaction, and customer satisfaction. Each latent variable is measured by several items that have been empirically tested and used in previous empirical studies. For service quality variables that adopt SERVQUAL is complemented with one new item in assurance dimension which is the result of this research exploration. All items as research instruments measured with five (5) Likert scale points ranging from "strongly disagree (1)" to "strongly agree (5)." Table 1 shows the variables and indicator references involved in this study.

Table 1: Variables, Dimensions, and Indicators

Variabel	Demensi	Indikator	Referensi
Service Quality(X)	*Tanggible*(X1)	Modern office equipment (X1.1)	Parasuraman *et al.* (1988)
		Neat looking staff (X1.2)	
		Comfortable waiting room facilities (X1.3)	
		Placement of brochures and forms looks interesting (X1.4)	
	Reliability(X2)	Timely service (X2.1)	Parasuraman *et al.* (1988)
		Serious interest in solving problems (X2.2)	
		Providing service correctly (X2.3)	
		Service in accordance with promise given (X2.4)	
		Make no mistake in recording transactions (X2.5)	
	Responsiveness (X3)	Notify when the service will be provided (X3.1)	Parasuraman *et al.* (1988)
		provide services promptly (X3.2)	
		Ready to provide services when needed (X3.3)	
		Does not seem too busy to assist customers (X3.4)	
	Assurance (X4)	Trustworthiness (X4.1)	Parasuraman *et al.* (1988)
		Safety when conducting transaction (X4.2)	
		Courtesy while serving (X4.3)	
		Sufficient knowledge to answer customer questions (X4.4)	
		Transparency of cooperative financial statements (X4.5).	The finding of this study
	Empathy (X5)	Personal attention (X5.1)	Parasuraman *et al.* (1988)
		Convenience operating time (X5.2)	
		Greet customer by name (X5.3)	
		Understand customer's special needs (X5.4)	
Customer Satisfaction (Y1)		The cost matches the benefits (Y1.1)	Mohsan *et al.*, (2011), Baker (2013), Khan *et. al.*, (2014).
		Satisfaction on the service (Y1.2)	
		Satisfaction on the product offered (Y1.3)	Osmanand Santosa (2013), Saghier and Nathan (2013), Markovic dan Jankovic (2013)
		Overall satisfaction (Y1.4)	
Customer Loyalty (Y2)		Consider KSP Bhuwana Sardula as the first choice (Y2.1)	Albarq (2013), Osman and Santosa (2013), Auka dan Bosire (2013), Poku *et. al.*, (2013)
		Recommendation (Y2.2)	
		Speaking positively about the cooperative (Y2.3)	Albarq (2013), Auka and Bosire (2013).
		Intention to continue doing transaction (Y2.4)	Albarq (2013), Osman and Santosa (2013), Auka and Bosire (2013) Lau *et. al.*, (2013)

Source: adopted from various sources

3.4 Construct validity and reliability:

Validity and reliability test is carried out involving 30 respondents. This test is done by calculating significant correlation and Cronbach Alpha of each dimension and construct. A construct is considered to be reliable if it has Cronbach Alpha value> 0.70 (Malhotra 2007). An indicator is valid if each indicator score contains positive and significant bivariate correlation with the total indicator score. Cronbach Alpha value of each construct and dimension of this study showed values above 0.7, and significant correlations per indicator showed positive value. Complete data can be seen in Appendix 2.

3.5 Sampling:

Population in this research is all members of Koperasi Bhuwana Sardula which located in Gianyar Regency, Bali Province, Indonesia. The technique in determining sample size used Slovin formula, which obtained 95 respondents. Respondents' characteristics can be seen in Table 2.

Table 2: Respondents' Characteristics

No	Characteristics	Pilihan	Total	
			Frequency	Percentage
1.	Gender	Men	33	34,7
		Women	62	65,3
	Total		**95**	**100**
2.	Age	<25 years	8	8,4
		25 – 35 years	27	28,4
		36 – 45 years	34	35,8
		46 – 55 years	21	22,1
		56 – 65 years	3	3,2
		> 65 years	2	2,1
	Total		**95**	**100**
3.	Job status	Employed	68	71,6
		Unemployed	27	28,4
	Total		**95**	**100**
4.	Occupation	Civil Servant	5	5,3
		Private employees	25	26,3
		Entrepreneur	37	38,9
		Retiree	0	0
		Student	6	6,3
		Housewife	22	23,2
	Total		**95**	**100**
5.	Level of education	High School	71	74,7
		Diploma	12	12,6
		Bachelor	12	12,6
		Postgraduate	0	0
	Total		**95**	**100**
6.	Period as a member	6 – 11 months	10	10,5
		12 – 17 months	11	11,6
		18 – 23 months	13	13,7
		> 23 years	61	64,2
	Total		**95**	**100**

Source: research data, 2018

3.6 Data analysis:

Inferential analysis is carried out to test formulated hypotheses. A fit model is needed to test the hypotheses. Data was analyzed using Structural Equation Modeling (SEM), with Partial Least Square (PLS) approach. The result shows that all indicators have a loading factor> 0.60 beyond the required criteria of $p> 0.05$ therefore meet the criteria of covergent validity.

Table 3: Loading Factor Results

Items of Service Quality Dimension	Itemsof Service Quality Construct	Loading Factor	T Statistics
	X.1.1 <- Service quality	0,739	14,471
X.1.1 <- Tangible		0,903	42,295
	X.1.2 <- Service quality	0,715	14,340
X.1.2 <- Tangible		0,772	20,299
X.1.3 <- Tangible		0,621	8,621
	X.1.3 <- Service quality	0,677	9,521
X.1.4 <- Tangible		0,831	13,802

	X.1.4 <- Service quality	0,685	10,023
X.2.1 <- Reliability		0,795	20,241
	X.2.1 <- Service quality	0,718	13,782
	X.2.2 <- Service quality	0,719	10,856
X.2.2 <- Reliability		0,764	12,190
	X.2.3 <- Service quality	0,725	14,899
X.2.3 <- Reliability		0,714	13,297
X.2.4 <- Reliability		0,763	15,638
	X.2.4 <- Service quality	0,673	11,749
	X.2.5 <- Service quality	0,760	18,466
X.2.5 <- Reliability		0,774	17,926
X.3.1 <- Responsiveness		0,890	24,805
	X.3.1 <- Service quality	0,699	9,135
	X.3.2 <- Service quality	0,715	9,401
X.3.2 <- Responsiveness		0,904	27,534
	X.3.3 <- Service quality	0,706	14,256
X.3.3 <- Responsiveness		0,805	20,232
X.3.4 <- Responsiveness		0,630	6,475
	X.3.4 <- Service quality	0,688	9,318
	X.4.1 <- Service quality	0,735	14,833
X.4.1 <- Assurance		0,769	16,047
	X.4.2 <- Service quality	0,766	18,443
X.4.2 <- Assurance		0,814	21,337
X.4.3 <- Assurance		0,768	14,287
	X.4.3 <- Service quality	0,720	12,565
	X.4.4 <- Service quality	0,720	15,001
X.4.4 <- Assurance		0,731	13,701
	X.4.5 <- Service quality	**0,802**	**20,006**
X.4.5 <- Assurance		**0,875**	**34,405**
	X.5.1 <- Service quality	0,796	22,863
X.5.1 <- Empathy		0,856	25,926
	X.5.2 <- Service quality	0,783	18,579
X.5.2 <- Empathy		0,887	32,010
X.5.3 <- Empathy		0,749	13,972
	X.5.3 <- Service quality	0,617	9,354
	X.5.4 <- Service quality	0,782	17,504
X.5.4 <- Empathy		0,788	15,304
Y1.1 <- Member Satisfaction		0,721	13,427
Y1.2 <- Member Satisfaction		0,833	17,519
Y1.3 <- Member Satisfaction		0,714	11,005
Y1.4 <- Member Satisfaction		0,851	25,945
Y.2.1 <- Member Satisfaction		0,715	11,942
Y.2.2 <- Member Satisfaction		0,802	18,623
Y.2.3 <- Member Satisfaction		0,713	10,294
Y.2.4 <- Member Satisfaction		0,832	24,868

Source: Research Findings, (2018)

Table 4 shows, Average Variance Extracted value (AVE)> 0,50 qualifies discriminant validity (Fornell & Larcker, 1981). Composite reliability is said to be good if it has value above 0.70. The value obtained in this study is above 0.70 in accordance with the criteria in Nunnally (1978). R Square of the dependent variable: customer satisfaction and customer loyalty are above 0.75, which considered high (Criteria: Chin, 1998; Hair, *et al.,* 2011; Henseler *et al.,* 2009).

Table 4: AVE, Composite Reliability, and R Square

Variable	AVE	√AVE	*Composite Reliability*	R-square
Physical evidence (X.1)	0,622	0,789	0,866	0,807
Reliability (X.2)	0,581	0,762	0,874	0,893
Responsiveness (X.3)	0,663	0,814	0,886	0,754

Guaranty (X.4)	0,629	0,793	0,894	0,893
Empathy (X.5)	0,676	0,822	0,892	0,831
Service quality (X)	0,527	0,726	0,961	-
Member satisfaction (Y$_1$)	0,612	0,782	0,862	0.741
Member loyalty (Y$_2$)	0,589	0,767	0,851	0,854
Physical evidence (X.1)	0,622	0,789	0,866	-

Source: Research Findings (2018)

Evaluation result based on the inner value of structural model Q2 is 0,960. This result means that information contained in the data is 96.0 percent explainable by the model, while the remaining 0.4 percent is explained by errors and other variables that have not been included in the model. The model can explain 96% of service quality impact on satisfaction and subsequently creates loyalty. The remaining 4% is explained by other factors.

4. RESULT

The results of structural model analysis show the relationship between latent variables adopted as concept of this research model are shown in Figure 1 and Table 5. All hypotheses are accepted with T values Statistics vary, all above 1.96. More detailed data can be seen in Table 4 and Figure 1.

Table 5: Direct Effect Test Results

Path	Original Sample	T Statistics	Hypotheses
Service Quality -> Consumer Satisfaction	0,861	31,075	H2: Supported
Consumer Satisfaction -> Consumer Loyalty	0,436	4,408	H3: Supported
Service Quality -> Consumer Loyalty	0,522	5,523	H1: Supported

Source: Research Findings (2018)
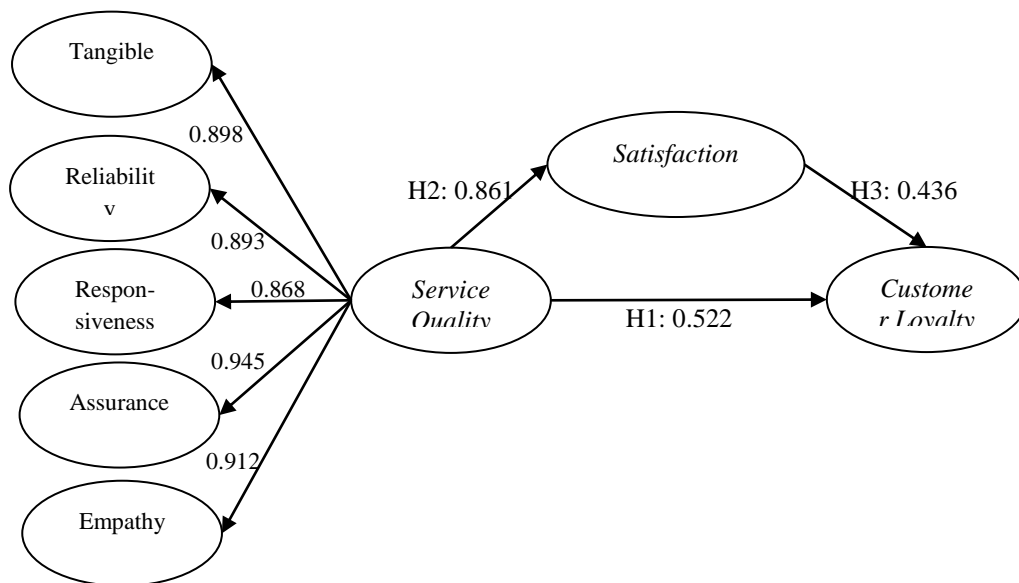
Picture 2: Path Diagram

Table 6 shows the direct, indirect, and total effect of each construct. To determine the overall effect for each relationship between variables studied, recapitulation of direct effects, indirect effects, and total effects are presented in Table 6 below:

Table 6: Calculation of Direct, Indirect and, Total Effects

Variable Relation	Direct Effects	Indirect Effects	Total Effects
Service Quality -> Consumer Satisfaction	0,861	-	0,861
Consumer Satisfaction -> Consumer Loyalty	0,436	-	0,436
Service Quality -> Consumer Loyalty	0,522	0,375 0,861*0,436	0,879

Source: Research Findings

Table 6 explains that the mediation influence of member satisfaction on the indirect effect of service quality toward member loyalty has path coefficient of 0.375, and has total effect of 0.879, while the direct effect of service quality on member loyalty is only 0,522. It can be interpreted that service quality is able to influence members' loyalty, but will result in higher loyalty if members feel satisfied to the service quality.

5. DISCUSSION

The result of exploration onSERVQUAL factors shows that only one new finding can be expressed which is "transparency of cooperative financial statements is a service guarantee to members that strengthen assurance dimension." Empirically evidenced by the loading factor value of 0.802.This finding means that there is a new indicator in assurance dimension which has key influence on improving service quality in cooperative context. Transparency of cooperative financial statements affects the members' trustas members' savings are not protected by the government through Deposit Insurance Agency (LPS). Members will feel secure if cooperative management runs the business correctly and professionally indicated by transparent financial management reports on a regular basis. Cooperative is different from banking, according to legislation law, banking deposits have been guaranteed by LPS.

These findings indicate member's sensitivity to financial risk. This sensitivity roots from respondents characteristics which 38.9% consists of entrepreneurs, and 26.3% are private employees. Information on the characteristics of respondents can be seen in Table 2. Transparency of financial performance report is very important to reduce uncertainty that can increase perceived risk.

Among SERVQUALfive dimensions, tangible, reliability, responsiveness, assurance, and empathy, all have positive and significant role in shaping service quality. This implies that these five dimensions are important in the context of cooperative services. The results also show that assurance has the greatest positive influence among other service quality dimensions. This is highly relevant to the findings of transparency in cooperative management report as a guarantee for memberswho deposit funds, in which members need guarantees that the cooperative is run professionally and properly, so as to foster members'trust in saving funds.

Service quality has positive and significant impact on satisfaction, that is, the better the service quality provided it will increase members' satisfaction, otherwise the worse the service quality provided the lower the satisfaction felt by cooperative members. Satisfaction has positive and significant influence on members' loyalty, means the higher the satisfaction level perceived by members, members' loyalty will be higher, otherwise the worse the perceived satisfaction, the lower the loyalty level. Service quality has positive and significant influence on cooperative members' loyalty, mean, the better the service quality provided to members, it will increase members' loyalty, service quality will increase loyalty when members are satisfied first. The results of this study support the study of Stan *et al.,* 2013; Luc *et al.,* 2011; Ladhari, *et al,* 2011; Lau *et al.,* 2013; Osman *et al.,* 2015; Keisidou *et al.,* 2013.

Service quality in addition to have direct influence on loyalty, also has indirect influence through member satisfaction. This means that service quality will be more optimal in increasing member loyalty, if the member has been satisfied first.

6. CONCLUSION

6.1 *Managerial and research implication:*

Meeting customer requirements is a key competitive advantage and long-term success in a highly competitive environment. Service quality is one of the critical success factors that affect organization competitiveness. Cooperatives can differentiate themselves from competitors by providing high quality services. The research findings indicate that service quality dimensions can be used by cooperatives to attract interest and retain customers in this case cooperative members. Cooperative managers need to invest in employee training programs that will provide an understanding of service culture and service excellence. Cooperatives need to emphasize service quality by introducing standards for service excellence to satisfy members so that member loyalty will increase.

The finding of this research on cooperative financial performance report transparency needs to be adopted in management policy, since the disclosure of better financial statement has significant positive impact on operational performance of microfinance institutions (Quayes and Hasan, 2014).

6.2 *Limitations and future research:*

This study has several limitations, among others, the object of research is only members of KSP Bhuwana Sardula. The results of this study can not be generalized to cases beyond the object of research, as each object has characteristics that are different from one another. Future research is expected to expand the object scope, not limited to a single cooperative but also includes similar cooperatives, and other microfinance institutions.

Another suggestion that can be proposed is, it is desirable to adopt trust construct as a mediation between service quality and loyalty. This suggestion is to test the sensitivity of the new findings in the form of cooperative financial statements transparency that strengthens assurance dimension. Positioning each SERVQUAL dimension as a stand-alone variable is desirable in further research, so it will be able to detect the role of assurance reinforced by transparency of financial statements to build trust and customer satisfaction to generate cooperative members'loyalty.

More extreme suggestion that can be proposed is, making cooperative financial statements transparency as independent variables to further test its impact on cooperative image. This is needed as during 2017-2018 there is growing phenomenon of corruption in Indonesia. Previous research has proven that report of financial prospect has influence and even becomes an important dimension of image (Yeo & Youssef, 2010). Previous research has been conducted in banking institutions, and very limited research conducted in cooperative institutions.

There are still many variables that can influence members' satisfaction and loyalty in addition to service quality. Future research is expected to increase the number of research variables to determine the level of member satisfaction, such as: trust, image, strategy, customer value, and product superiority.

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APPENDIX: A

Appendix 1: Image Path and Loading Factor Per Indicator
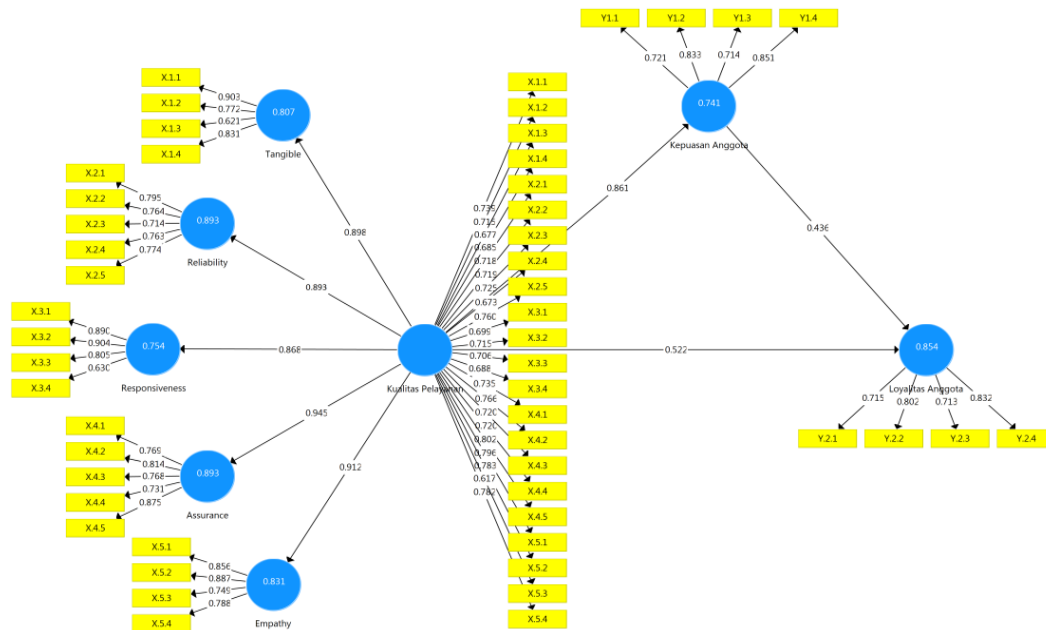
Appendix 2: Test Results Validity and Reliability Questionnaire

Variabel	Dimention	Item	Significant Correlation	Crombach Alpha
Service Quality (X)	Tanggible (X1)	(X.1.1) The equipment looks modern	0.531	0.922
		(X.1.2)The staff is neat	0.363	
		(X.1.3)The lounge area is comfortable	0.731	
		(X.1.4)Interesting brochure & form placement	0.616	
	Reliability (X2)	(X.2.1)Timely service	0.308	
		(X.2.2)Really and sincerely solve the problem	0.612	
		(X.2.3)Provide service correctly	0.483	
		(X.2.4)Service as promised	0.411	
		(X.2.4)No mistaking transactions	0.729	
	Responsiveness (X3)	(X.3.1)Notify the services provided	0.456	
		(X.3.2)Service quickly	0.745	
		(X.3.3)Ready when needed	0.652	
		(X.3.4)The staff had a serving time	0.490	
	Assurance (X4)	(X.4.1)The staff is trustworthy	0.531	
		(X.4.2)Feel safe to trade	0.742	
		(X.4.3)Courteous in serving	0.585	
		(X.4.4)The staff had enough knowledge	0.602	
		(X.4.5) financial Report Transparency	0.754	
	Empati (X5)	(X.5.1)Give a speech or gift	0.558	
		(X.5.2)Operating time as needed	0.704	
		(X.5.3)Staff greeted by name	0.319	
		(X.5.4)Understand the members' specific needs	0.717	
Consumer Satisfaction (Y1)		(Y1.1)Benefits at cost	0.805	0.790
		(Y1.2)Satisfied with service	0.326	
		(Y1.3)Satisfied with the product	0.678	
		(Y1.4)Satisfied overall	0.700	
Customer Loyalty (Y2)		(Y2.1)The main choice of transact	0.476	0.735
		(Y2.2)Recommend on others	0.535	
		(Y2.3)Speaking of positive things (WOM)	0.505	
		(Y2.4)Continue to transact on an ongoing basis	0.607	

Source: SPSS AnalysisResults, 2018