

# Changes in Bank Service Quality After Merger: A Case Study on Banks in Indonesia

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## Abstract

Bank mergers are a strategic initiative aimed at enhancing financial stability, expanding market share, and improving service efficiency. This study examines the impact of bank mergers on service quality in Indonesia, with a particular focus on customer satisfaction, operational efficiency, and brand trust across three different generations (gen X, millennials, & gen Z). Using qualitative methods, this research analyzes survey data derived from news articles and customer feedback from banks that underwent mergers between 2018 and 2023. The findings indicate that bank mergers often result in improved digital services, broader service offerings, and greater operational efficiency. However, they may also lead to short-term challenges, including service disruptions, policy changes, and shifts in brand identity. These disruptions can create uncertainty around product offerings, pricing, and service consistency, potentially affecting overall customer satisfaction. Nevertheless, banks that effectively manage post-merger integration-through transparent communication, consistent service delivery, and proactive customer engagement-are better positioned to retain customer loyalty. Moreover, brand reputation and perceived stability play a crucial role in shaping customer trust and retention following a merger. While mergers offer significant opportunities for growth and innovation, they also pose risks to customer relationships if not carefully managed. Therefore, understanding these dynamics is essential for banks seeking to address customer concerns, strengthen retention strategies, and realize the long-term benefits of mergers.

*Keywords:* Mergers, Bank Service, Quality, Customer Satisfaction, Loyalty.

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## 1. Introduction

The banking industry plays an indispensable role in fostering economic development by facilitating the provision of essential financial services to both businesses and individuals. In the context of Indonesia, banks function as critical pillars in financial intermediation, supporting a wide spectrum of economic sectors ranging from micro, small, and medium enterprises (MSMEs) to large-scale corporations requiring substantial financial backing. Given the dynamic and ever-evolving nature of the financial sector, banks are consistently challenged to adapt to shifting regulatory landscapes, rapid technological advancements, and intensifying market competition, as noted by Kennedy and Harefa (2018). One strategic approach that has gained significant traction within the banking industry is the implementation of mergers and acquisitions (M&A), which are primarily pursued to fortify financial institutions, enhance operational capabilities, and deliver improved services to customers.

In recent years, Indonesia has witnessed a considerable wave of bank mergers, which have been largely influenced by a combination of regulatory directives, financial stability mandates, and broader market-driven considerations. These consolidation efforts are intended to result in the formation of stronger, more resilient banking institutions that demonstrate higher levels of operational efficiency, offer a more diverse range of services, and exhibit greater technological integration. The Indonesian government, particularly through the Financial Services Authority (OJK), has actively promoted the consolidation of banks as a strategic policy initiative aimed at fostering a more competitive, sustainable, and robust banking sector (Dilla, Shahrin, & Zainir, 2024). Nevertheless, despite the strategic intentions behind such mergers, the actual implementation often presents multifaceted challenges, including operational disruptions, complexities in integrating disparate systems, workforce realignment, and potential declines in customer satisfaction due to perceived or actual changes in service quality.

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From the customer's standpoint, the implications of bank mergers can be both advantageous and problematic. On the positive side, customers may gain access to more advanced digital banking platforms, an expanded physical branch network, and a broader array of financial products tailored to diverse needs. However, these benefits are frequently accompanied by temporary service interruptions, changes in policies and procedures, and shifts in brand identity, all of which can affect the overall customer experience and sense of trust in the institution (Muarif & Saifudin, 2022). During the post-merger integration phase, customers often express concerns related to pricing adjustments, inconsistencies in product offerings, and potential declines in service reliability, all of which can significantly influence customer satisfaction, loyalty, and their long-term relationship with the newly merged entity.

Considering these complexities, it becomes increasingly important to conduct a comprehensive investigation into how bank mergers affect service quality and customer satisfaction within the Indonesian banking landscape. This study seeks to explore the extent to which post-merger transformations influence the delivery of banking services, with a particular emphasis on customer perceptions, operational performance, and trust in the merged brand. Utilizing survey-based data and quantitative analysis methods, this research aims to determine whether bank mergers ultimately result in an enhancement or deterioration of service quality as perceived by customers. The findings of this study are expected to provide valuable insights for financial institutions, regulators, and banking consumers alike, enabling them to better understand the broader implications of bank consolidations and to formulate effective strategies that ensure a seamless transition while maintaining high standards of customer service.

## 2. Literature Review

The phenomenon of bank mergers continues to be a prominent strategic move across financial institutions globally, particularly in developing economies such as Indonesia. While policymakers and executives often focus on financial consolidation and operational streamlining, what happens on the ground—especially from the customer's point of view—deserves equal attention. Scholars like Kandel and Basnet (2024) have highlighted that mergers are not merely institutional transitions but deeply affect service perception, which directly influences customer trust and loyalty. In Indonesia's banking landscape, regulatory encouragement from the Financial Services Authority (OJK) has resulted in multiple bank mergers in recent years, the most notable being the formation of Bank Syariah Indonesia (Dilla, Shahrin, & Zainir, 2024). While intended outcomes include improved efficiency and broader access, the real question is how customers interpret and experience these changes in their day-to-day interactions.

At the heart of customer experience is service quality. Parasuraman, Zeithaml, and Berry (1985) proposed a well-known framework involving five key dimensions—reliability, responsiveness, assurance, empathy, and tangibles—that remains relevant decades later. Following this model, Bayhaqy and Septiarini (2023) found that service quality strongly affects both customer satisfaction and loyalty in the context of post-merger Shariah banks in Indonesia. Their findings align with those of Ye Dong Lee, Kim, and Park (2017), who observed that although improvements to operational systems can be beneficial, customers continue to place significant value on the interpersonal dimensions of service, especially empathy and responsiveness, which are essential for fostering long-term satisfaction and loyalty—both of which can suffer during merger transitions.

It is also important to recognize that customer satisfaction acts as a crucial bridge between service delivery and loyalty outcomes. As Kotler and Keller (2016) explain, satisfaction arises when there is congruence between expectations and actual service performance. This dynamic becomes even more delicate during organizational change. Talluri, Kim, and Schoenherr (2013) noted that operating efficiency and service quality have often been viewed as opposing goals, but their findings support the notion that service agencies with excellent operational efficiency also experience superior service quality. This suggests that when front-line employees are empowered and service standards are consistently maintained, operational efficiency and service quality can indeed be complementary rather than conflicting. Unfortunately, as pointed out by Kandel (2024), communication breakdowns and inconsistent service recovery practices often surface in the early stages of post-merger integration, threatening the fragile trust that customers have developed over time.

The branding element introduces yet another layer of complexity. In theory, a merger brings strength; in practice, it may dilute brand identity and alienate loyal clients. Khairah, Mutalib, and Hasni (2024) found that many customers experienced confusion or detachment from the new brand unless Islamic values and relational marketing were emphasized throughout the transition. This view is further echoed in Mishra and Jha's (2024) study of Indian banks, where transparent communication was identified as essential to managing customer sentiment and reinforcing long-term loyalty.

Interestingly, Yeboah, Asirifi, and Ampadu (2015) provide a contrasting case from Ghana, in which mergers led to a generally positive shift in perceived service quality. Their findings suggest that the success or failure of a merger, from the customer's view, is not predetermined but highly dependent on execution-especially in how changes are communicated and managed on the front line. Finally, Zakiah and Umiyati (2023) emphasized that even when service quality improves, inconsistent messaging or unclear brand positioning can still erode customer satisfaction and loyalty.

In short, while the academic literature supports the strategic rationale behind bank mergers, it also reveals that customer perception is a key determinant of long-term success. Mergers should not be seen purely as structural changes, but as transformations that require deep attention to the human aspects of service delivery. This study is positioned to explore how those dynamics play out in the Indonesian banking context-particularly from the lens of customers who have experienced both sides of a merger firsthand.

### 3. Research Method

This study adopts a qualitative research approach to explore changes in bank service quality following mergers in Indonesia. The research focuses on customer experiences to understand how mergers impact service reliability, responsiveness, assurance, empathy, and tangibles. By employing a qualitative method, this study seeks to capture in-depth insights into customer perceptions that may not be fully represented through quantitative surveys. Understanding these perspectives is essential for assessing how well banks manage service quality transitions after a merger.

In-depth interviews were chosen as the primary data collection method to gain a detailed understanding of customer experiences post-merger. A total of twenty bank customers who had firsthand experience with a bank that underwent a merger within the past five years were selected for the study. A purposive sampling technique was used to ensure that participants had direct exposure to changes in banking services after the merger. The selection criteria included customers who actively used banking services before and after the merger, ensuring that their insights were relevant to the research objectives.

The interviews were conducted through a combination of online video calls and in-person meetings, depending on participant availability and preference. Each interview lasted between 30 to 45 minutes, allowing participants to elaborate on their experiences and perceptions. The semi-structured interview format enabled flexibility in responses while maintaining a clear focus on the study's key themes. Open-ended questions were used to encourage participants to share detailed accounts of their interactions with the bank, highlighting specific service improvements or challenges they encountered.

The interview questions were designed based on five key dimensions of service quality: reliability, responsiveness, assurance, empathy, and tangibles. The first section focused on customer background, including banking duration and awareness of the merger. The second section assessed changes in service reliability and responsiveness, particularly in transaction efficiency and customer support. The third section examined assurance and trust, exploring whether customers felt secure with the bank's post-merger operations. The fourth section addressed empathy, measuring the extent to which personalized services were maintained or reduced. The final section investigated tangibles, such as improvements in digital banking platforms and physical branch facilities.

The data obtained from the interviews was analyzed using thematic analysis to identify recurring patterns and significant insights. Thematic coding was applied to categorize customer responses into relevant themes, allowing for a systematic evaluation of service quality changes. By identifying common experiences and concerns among participants, the analysis provided a comprehensive understanding of how bank mergers affect customer satisfaction. The findings from this qualitative approach offer valuable insights into the challenges and benefits of post-merger banking services, highlighting areas that require further attention from financial institutions.

### 4. Results and Discussions

This section presents the findings from interviews conducted with twenty bank customers who experienced a merger. The results of this study were analyzed using thematic analysis, which identified five main themes related to changes in bank service quality after a merger: (1) customer background, (2) changes in service reliability and responsiveness, (3) assurance and trust, (4) empathy in personalized services, and (5) tangible aspects, including digital and physical banking facilities.

#### 4.1. Customer Background

The informants had varying levels of experience with the bank, ranging from fifty five to eighteen years (gen X to gen Z). Some had been long-term customers, while others had joined only a few years before the merger. Their reasons for choosing the bank before the merger included reputation, accessibility of physical branches, attractive interest rates, and advanced digital banking features. Several informants mentioned that they originally selected the bank because of its strong customer service, competitive fees, or its affiliation with a larger financial institution.

When asked about their awareness of the merger, responses varied significantly. Some informants knew about the merger well in advance due to direct notifications from the bank. Others learned about it through external sources, including news reports, financial forums, or social media discussions. A few informants admitted that they were unaware of the merger until they noticed changes in the bank's branding, mobile banking interface, or service policies. These customers were initially confused about the transition, as they were not given prior notice or sufficient explanations regarding how the merger would affect their accounts and services.

Although all informants continued using the bank post-merger, some expressed initial concerns about potential service disruptions or unfavorable policy changes. A few informants feared that the bank's customer-centric approach would shift, becoming more corporate-driven and impersonal. Others worried about possible changes in fees, transaction limits, or loan terms. However, despite these concerns, the majority of customers decided to stay, primarily due to the inconvenience of switching banks and their trust in the bank's long-standing reputation. Some informants mentioned that they had considered moving to a competitor but ultimately chose to wait and observe how the merger impacted their banking experience.

To summarize, while awareness of the merger varied among informants, most had some level of concern regarding the transition. However, trust in the bank and the effort required to change financial institutions were key factors in retaining customers post-merger. The following table provides an overview of how informants learned about the merger:

**Table 1.** Customer Awareness of the Merger

Customer Awareness of the Merger	Number of informants	Percentage
Knew before the merger (from bank notification)	3	15%
Found out through media/social	5	25%
Not aware until after the merger	12	60%

#### 4.2. Changes in Service Reliability and Responsiveness

The majority of informants reported no significant changes in service reliability and responsiveness after the merger. Daily banking transactions, including transfers, withdrawals, and deposits, continued to function as expected, with minimal disruptions. Although some informants initially worried about possible service delays, most found that the transition did not affect their banking experience. This suggests that the bank effectively managed system integration to ensure operational stability.

Regarding transaction speed, most informants stated that they did not notice any major differences post-merger. Informant 1 and informant 3 both mentioned that their transaction times felt the same before and after the merger, with no noticeable delays. Meanwhile, informant 6 noted that ATM availability remained consistent, ensuring that customers could access their funds without difficulty. This indicates that while the merger process involved structural changes, the bank successfully maintained the efficiency of its digital and physical banking systems.

System stability was also a key concern, although most informants did not experience significant technical disruptions. However, some interviewees reported encountering system errors, failed transactions, or long processing times. Two informants specifically mentioned that transaction failures had occurred, causing the funds to become stuck-neither withdrawable nor cancelable. Although the sender's account had already been debited, there was often no clear resolution or technical support from customer service.

Several major banks in Indonesia have experienced technical failures in their mobile banking systems. These issues can stem from various factors, such as weak signal strength, malfunctioning bank servers, or flawed refund

procedures. Such problems can lead to customer dissatisfaction and prompt them to switch to other digital banks that are perceived as more reliable. This is especially critical when the transaction is business-related and time-sensitive, as any failure can result in substantial financial losses for the customer.

One informant shared a personal experience using mobile banking for an urgent business transaction. During the process of transferring funds to another bank, the transaction failed. The amount had already been deducted from the sender's account, but the receiving bank had no record of the transaction or any notifications. As a result, the informant had to contact the call center personally.

Upon contacting the call center, no clear explanation was provided regarding the missing funds. The informant was forced to escalate the issue, requesting that the call center contact the central bank manager directly and demand an immediate refund. This dispute lasted approximately one full day. Eventually, the central bank manager asked the informant to submit a formal statement regarding the missing funds. The entire process took nearly two days and caused a loss of approximately 10% of the total transaction value. However, only a small number of informants had experienced the problem of missing funds. Most informants observed that improvements in transaction speed were minimal and suggested that while the system remained reliable, it did not necessarily enhance customer experience.

**Table 2.** Comparison of Service Reliability Before and After the Merger

Service Aspect	Before Merger	After Merger
ATM Availability	High	High
Mobile Banking Errors	Rare	Very rare
Call Center Response	Fast	Fast
Transaction Speed	Consistent	Consistent

Regarding customer support, informants generally felt that the bank maintained its responsiveness. Informant 16 highlighted that the bank continued to provide quick assistance when needed, ensuring that any inquiries were addressed promptly. However, some customers observed a shift toward automated responses, making interactions feel less personal. Informant 3 mentioned that while response times were still fast, they preferred speaking directly to bank representatives rather than relying on automated systems. Automation in customer service brought mixed reactions among customers. While chatbots and automated phone systems improved efficiency, they sometimes made it harder to resolve complex issues. Informant 1 noted that they had not faced any issues requiring customer support, but they preferred knowing that human representatives were available when needed. Despite these concerns, most informants agreed that customer service remained reliable and responsive post-merger.

Most informants did not experience major issues after the merger, which reflects the bank's strong operational continuity. Informant 1 and informant 2 both stated that they had no problems requiring assistance, indicating that the transition was smooth. Even those who had minor inquiries found that the bank responded efficiently, maintaining customer trust. This suggests that the merger did not negatively impact problem resolution processes within the bank. For customers who did need support, the resolution process remained fast and effective. Informant 2 pointed out that the bank continued to address concerns promptly, ensuring that their experience remained positive. Meanwhile, informant 3 noted that while they had no issues personally, they appreciated the bank's consistent service. These findings indicate that customers did not perceive any deterioration in service quality, which is crucial for maintaining customer satisfaction and loyalty.

Overall, Despite initial concerns about the merger's impact, most informants believed that their banking experience remained unchanged. Most informants stated that they did not perceive significant differences in service quality, suggesting that the merger did not disrupt their daily banking activities. These findings suggest that while the bank effectively managed the transition, customers did not perceive any major benefits from the merger in terms of service improvements.

**Table 3.** Customer Perception of Service Changes After the Merger

Perception of Changes	Number of informants	Percentage
No Significant Change	14	70%
Noticeable Improvement	4	20%
Decline in Service	2	10%

#### 4.3. Assurance and Trust

Many factors can influence customer trust and loyalty, one of which is the generational differences in perspectives. For instance, Generation X tends to exhibit stronger brand commitment, often remaining loyal to specific products or services. Despite experiencing numerous changes over time, Gen X consumers have grown accustomed to and comfortable with certain brands, making them more reluctant to switch to alternatives. This tendency positions Generation X as long-term customers for many companies (Lamb, 2017).

In contrast, while Millennials also demonstrate a relatively high level of loyalty, it is not as strong as that of Generation X. However, Millennials tend to contribute actively through feedback and evaluations, which can help companies improve and evolve. Generation Z, on the other hand, has a markedly different mindset. They are often categorized as having lower brand loyalty. Their preferences are largely driven by the tangible benefits offered by a company. If a company fails to meet their evolving needs and expectations, Gen Z consumers are likely to switch to other brands with ease (Paylode, 2023).

The majority of informants, predominantly Generation X and Millennials, reported sustained trust in the bank post-merger, with minimal disruption to their overall banking experience. Some initially worried about hidden charges or unexpected policy changes, but their concerns gradually faded as they continued using the bank's services. An informant from Generation X shared, "I was worried about hidden charges after the merger, but so far, my banking experience remains the same." This sentiment was echoed by others who felt reassured by the bank's ability to maintain operational consistency despite the structural changes.

Security was another important factor in customer trust, with many noticing improvements in mobile banking protection. However, several informants felt that the bank failed to communicate these updates effectively. Informants from gen Z noted, "They introduced stronger security measures for mobile banking, which I appreciate, but the lack of clear communication on new policies was frustrating." While customers generally felt their accounts were secure, some believed the bank should have been more transparent about these enhancements. The absence of reported security breaches or fraudulent activities further strengthened their confidence.

Long-time customers, in particular, displayed a strong sense of trust in the bank's stability. Informant 2, who had been with the bank for over 30 years, remarked, "I have been a customer for over 30 years, and I still trust this bank. The merger hasn't changed that." Customers with long banking histories were less likely to perceive the merger as a risk, attributing their trust to years of consistent service. For them, the merger was simply a corporate decision that did not directly impact their everyday banking activities.

Despite the overall stability, some informants were frustrated with the lack of direct communication about the merger. Many learned about it from social media, friends, or news articles rather than official statements from the bank. Informant 19 mentioned, "I only found out about the merger from a friend. The bank never informed me directly." While this did not significantly affect their trust, it created a sense of detachment from the decision-making process. More proactive engagement from the bank could have strengthened customers' sense of involvement and confidence in the transition.

Although trust remained high, a few customers voiced concerns about the bank's future direction. Informant 13 stated, "I trust that my money is safe, but I hope the bank doesn't change its policies too much in the future." While there were no immediate issues, some worried that new policies might gradually alter their banking experience. However, since no drastic changes had occurred yet, these concerns remained speculative rather than urgent. Overall, customers continued to feel assured and secure in their banking experience post-merger. While some wished for clearer communication, the lack of major disruptions helped maintain customer trust. Most informants believed the bank's reliability remained unchanged, reinforcing the idea that maintaining consistency in service quality is essential in preserving customer confidence during transitions.

#### 4.4. Empathy in Personalized Services

Several informants noticed a shift in the level of personalized service provided by the bank after the merger. Some felt that customer service representatives were less attentive, while others saw no significant change in how their needs were handled. Informant 5 shared, "I used to receive personalized offers and updates, but after the merger, those seem to have decreased." This sentiment suggests that while the bank continued to function smoothly, the level of tailored service may have declined. Customers who valued direct engagement with bank staff felt that the merger led to a more standardized approach in service delivery.

On the other hand, some informants believed that the bank still demonstrated an adequate level of empathy and concern for individual customer needs. Informant 2 stated, "Whenever I have a problem, customer service still responds quickly, so I don't feel much has changed." This response highlights that while some customers noticed a decline in personalized services, others were satisfied with the bank's responsiveness. The difference in perception may be due to varying levels of interaction with customer service, where those who required assistance more frequently had a better understanding of how the bank handled customer concerns.

Despite mixed opinions on personalized services, most informants agreed that the bank still provided essential support when needed. However, some noted that response times for complex issues had become longer. Informant 6 remarked, "Before the merger, I could get a resolution for my issue within a day, but now it takes longer." This indicates that while customer support remained functional, the efficiency of handling specific concerns may have been affected. Customers who experienced delays in issue resolution were more likely to feel that the bank was less attentive post-merger.

One major concern raised by a few informants was the potential reduction in relationship-based banking, particularly for long-term clients. Informant 3 expressed, "I used to have a dedicated relationship manager who knew my banking history, but now I speak to different representatives each time." This change made some customers feel less valued, as they were accustomed to a more personal approach before the merger. The shift toward a more standardized service model, while efficient, may have contributed to a sense of detachment among certain customers.

Overall, the level of empathy and personalized service varied depending on customer interactions with the bank. While some noticed a decline in attentiveness, others felt that support services remained reliable. The findings suggest that maintaining personalized engagement, even in a larger corporate structure, plays a crucial role in customer satisfaction. To ensure long-term loyalty, banks undergoing mergers should consider strategies that preserve strong customer relationships while maintaining operational efficiency.

#### 4.5. Tangible Aspects: Digital and Physical Banking Facilities.

Several informants observed that their digital banking experience remained consistently good following the merger. Informant 4 shared, "The mobile banking app was already fast before, and it's still just as smooth now." This suggests that the merger did not negatively impact the quality of digital transactions, maintaining the high standard that customers were already accustomed to. Most participants expressed satisfaction that transaction efficiency remained reliable, with no major disruptions or downgrades in their experience.

**Table 4.** Customer Feedback on Bank Services After Merger

Aspect Evaluated	Majority Feedback	Minor Feedback
Mobile Banking Performance	No noticeable change (remained efficient)	Some felt app design could be refreshed or simplified (for gen X)
Online Transaction Speed	Remained fast and smooth	Sometimes funds get stuck in the middle of transaction
Physical Branch Facilities	No major improvements	Some hoped for upgrades
In-person Service Quality	Stayed the same	Occasional wait time & problem solving issues

There were also no major updates or restructuring in the mobile application's features, layout, or functions. Informant 7 explained, "I didn't notice any new features or significant changes. It still does what I need without any hassle." This reflects a deliberate focus on maintaining customer familiarity and minimizing confusion post-merger. The fact that the mobile platform remained consistent helped reduce any potential frustration among users.

On the physical side, informants similarly felt that the branch experience had not undergone significant changes. Informant 2 said, "The facilities at the branch nearby are exactly the same as before. No better, no worse." Such consistency suggests that banks chose to stabilize operational services first, rather than prioritize renovation or physical innovation during the transition. For many customers, this stability was reassuring and preferable during periods of organizational change.

Customers who primarily used mobile and online services were content that their experiences remained uninterrupted. Informant 6 mentioned, "As long as the app stays fast and the transactions keep going smoothly, I'm satisfied even if nothing changes." This feedback highlights how stability in digital services has become a critical factor in customer

satisfaction today. Changes, when unnecessary, can sometimes do more harm than good, and in this case, the lack of change was seen as a positive result by most users. In conclusion, the merger had minimal impact on both digital and physical service experiences, with most customers appreciating the consistency. No major innovations were introduced, but more importantly, no disruptions occurred either, ensuring that user confidence and satisfaction levels remained steady.

## 5. Conclusion

This study explored customer perceptions of service quality following a bank merger, focusing on aspects such as service reliability, trust, empathy, and tangible facilities. Based on interviews with twenty customers, it was found that most informants experienced minimal disruption to their daily banking activities. Transaction processes, system stability, and mobile banking performance remained consistent before and after the merger, indicating that the bank effectively managed operational continuity. While service reliability and security measures remained strong, some customers expressed a desire for better communication during the merger process. A few informants also noticed a slight decline in personalized services, particularly in relationship-based banking, which made certain customers feel less valued. Nevertheless, the majority of participants maintained their trust in the bank, attributing their loyalty to years of satisfactory service and the absence of major negative changes post-merger.

The findings suggest that in merger processes, operational stability is crucial in preserving customer satisfaction. Customers prioritized consistent service delivery and security over innovation or major changes. Additionally, maintaining clear communication and personalized engagement can further strengthen customer relationships during periods of organizational transition. In conclusion, the merger did not significantly impact the quality of banking services from the customers' perspective. Stability and reliability were key factors in maintaining customer loyalty, demonstrating that careful management of both technical and personal aspects is essential for a successful merger experience.

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