

CHAPTER I

INTRODUCTION

1.1 Background

Water is a basic need that cannot be separated from human life. The provision of clean water is of particular concern to every country in the world, including Indonesia. Population growth, development development, and increasing living standards cause the need for clean water to continue to increase. Given that water is one of the natural resources that is very important for human life, at this time it is very difficult for us to get a supply of clean water, so we need services clean water provider. PAMSIMAS or Community-Based Drinking Water and Sanitation Provision is one of the regionally owned business units, which is engaged in the production and distribution of clean water for the general public. PAMSIMAS are located in every province, district and city throughout Indonesia. PAMSIMAS activities include collecting raw water or less clean water, processes it into clean water and distributes water to customers.

The Community-Based Drinking Water and Sanitation Business (PAMSIMAS)aim of providing clean water whose organizational structure is based on the local government. PAMSIMAS is a business entity that must carry out two functions at once, namely as social oriented and profit oriented. Social oriented is good service to the community in providing clean water, while profit oriented is the goal to generate profits as a fund to operate and as a source of regional revenue. Therefore, PAMSIMAS in Meranti Islands Regencyare required to be able to make all efforts to improve and improve the quality of drinking water services which have become a necessity for many people, currently PAMSIMAS is still considered low in service coverage due to limitations.

Water distribution pipelines to the community and technical personnel in the field who serve the customer connection and speed of handling water pipe leaks

distributed to the community. For this reason, efforts are made to improve and improve the quality of drinking water services. It is hoped that the PAMSIMAS can be achieved with an effective and efficient organizational performance. Facing this condition, it is necessary to conduct management performance appraisal with performance appraisal, so that management can find out the quality and service of drinking water that has been provided to the community.

Satisfied customers will not only make repeated purchases but also be able to bring in new customers through word of mouth recommendation. Therefore it is necessary that companies maintain customer satisfaction through improving service quality and good product quality. Service quality is the key to success in various businesses or activities that are service in nature. Therefore, can the services in other fields such as services in complaints of disturbances, new installation or reading of water meters by PAMSIMAS can be implemented properly. Even though it is a small thing, it is very influential for the parties concerned to determine the service that will be provided can really satisfy customers or not.

Customer loyalty can be defined as loyalty to a product, either certain goods or services. Customer loyalty is a continuation of customer satisfaction in using the facilities or services provided by the company and to remain a customer of the company. Customer loyalty is a good thing and the target of every service company. Loyal customers are better than customers who are less loyal. And having loyal customers usually generates profits throughout the company's business journey. The concept of customer loyalty is more compassionate with behavior (behavior) in line with attitude. When a person is a loyal customer, he or she exhibits purchasing behavior which is defined as a nonrandom purchase disclosed over time by several decision-making units. In view of the data for the last three years, the researchers got the number of PAMSIMAS customers in the Meranti Islands Regency 2018 installed 1,211 in 2019 1,872 installed in 2020 installed reaching 2,643 customers and the number of employees 20 people.

Based on the descriptions above, the researchers are interested in conducting research on **“The influence of Service Quality on Customer Satisfaction and Loyalty of PAMSIMAS Meranti Islands Regency”**.

1.2 Formulation of the problem

Based on the background of the problems above, the problems solved in this study can be formulated as follows: How is the Effect of Service Quality on Customer Satisfaction and Loyalty of PAMSIMAS Meranti Islands Regency.

1.3 Purpose of the Study

From the formulation of the problem that has been described, it can be determined that the research objectives are to find out:

1. The influence of service quality on customer satisfaction of PAMSIMAS Meranti Islands Regency
2. The influence of service quality on customer loyalty of PAMSIMAS Meranti Islands Regency

1.4 Significance of the Study

The research conducted will provide several benefits and uses for various parties including:

1. **Benefits for Researchers or Authors**
This research provides an opportunity for researchers to apply the theories that researchers get in lectures and deepen them and gain insight.
2. **For the Study Program**
This research is expected to enrich research and become an additional reference for future students in the International Business Administration Study Program.
3. **Benefits for Other Parties**

The results of this research can be used as a source of information to increase knowledge and as additional reference material for carrying out scientific research on the same topic and adding to knowledge.

1.5 Scope and Limitation of the Problem

In order for this research to be more focused, focused and centered on the main problems that exist, in this study the discussion is limited to only examining the effect of service quality on customer satisfaction of PAMSIMAS. This research was conducted in the Meranti Islands Regency.

1.6 Writing Systematics

In order to facilitate the discussion and detailed description in this thesis report, the report is prepared with the following writing systematics:

CHAPTER I : INTRODUCTION

In the INTRODUCTION point, the researcher explains the title, research background, problem formulation, research objectives, research benefits, the scope and limitations of the problem and the systematics of thesis report writing.

CHAPTER II: LITERATURE REVIEW

In the LITERATURE REVIEW point, the researcher explains the theoretical basis that will be used in the completion of both general and specific theoretical research, such as previous research, theoretical foundations, and describes a framework of thought.

CHAPTER III:METHODAND PROCESS OF COMPLETION

In thischaptertheauthor describes the method and process of completion, which consists of Location, Time, and Object

of Research, Types and Sources of Data, Population and Samples, Data Collection Techniques, Data Processing Techniques, Scale Measurement, Validity and Reliability Testing, Data Analysis Methods, Research Hypothesis, Research Model, Type of Research, Concept and Operational Variable Definition.

CHAPTER IV: RESULTS AND DISCUSSION

At this point, the author explains or outlines the results and discusses after the author conducted research based on data obtained through questionnaires, interviews, observation and case studies.

CHAPTER V: CONCLUSION AND SUGGESTIONS

At this point the researcher explains the conclusion of the results and discussion which is done in a conclusion and suggestions as a recommendation for improvement on the related study in the future.