



THE ROLE OF SATISFACTION IN MEDIATING THE EFFECT OF SERVICE QUALITY ON COFFEE FARMERS' LOYALTY AS PARTNER FARMERS OF PUNTANG COFFEE SME, BANDUNG REGENCY

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Abstract. Puntang Coffee is one of Small Medium Enterprises (SMEs) in the coffee processing industry that provides various types of green coffee beans and roasted beans in West Java. It is known that there is an increase in new customers from Puntang Coffee by 10% per year with an average demand for coffee shops and roastery for green beans products of at least 50 - 100 kg. However, this was not accompanied by the growth of partner farmers, which actually tended to decrease during 2022- 2023, namely by 7.6% and 3.7%. The decrease in the number of partner members can indicate that there are problems regarding the loyalty of partner farmers of Puntang Coffee. Therefore, this study aimed to identify the effect of service quality on the loyalty of Puntang Coffee partner farmers with satisfaction as a mediating variable. This study used a quantitative approach with accidental sampling as the sampling technique to collect data from 84 respondents. The analysis used is SEM-PLS with SmartPLS 4.0. The results show that the service quality variable has a positive and significant effect on the partner farmers' loyalty variable, the service quality variable has a positive and significant effect on the partner farmers' satisfaction variable, the member satisfaction variable has a positive and significant effect on partner farmers' loyalty, and the service quality variable has a positive and significant effect on the partner farmers' loyalty variable through satisfaction as a mediating variable.

Keywords: Loyalty, Partnership, Satisfaction, Service quality

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INTRODUCTION

Coffee is one of plantation commodities which has high economic value. Over the past eight years, coffee production in Indonesia has consistently increased, with an average annual growth rate of 3.43%. This trend indicates that coffee has substantial potential for further development. One of the coffee processing enterprises is a Small Medium Enterprise (SME) named UKM Puntang Coffee, located in Campakamulya, Bandung Regency, West Java. As a leading supplier of roasted coffee to

coffee shop businesses in West Java, the enterprise has experienced an annual increase of approximately 10% in new customers, with average demand from coffee shops and roasteries for green beans reaching 50–100 kg. With the rising product demand, the coffee plantation area managed by Puntang Coffee has become insufficient to meet production needs, necessitating additional raw material supply from external sources, including partnership programs with local coffee farmers. Since late 2017, Puntang Coffee has established collaborations with coffee farmers in the Gunung Puntang area to secure raw materials for production.

Partner farmers play a crucial role in ensuring the supply of raw materials for UKM Puntang Coffee, as the company relies heavily on inputs produced by its partner farmers. In addition, coffee production is closely tied to seasonal cycles, which give farmers greater control when harvest takes place and supply is available, enabling them to regulate supply conditions. Consequently, farmers tend to possess relatively strong bargaining power in influencing the company's raw material prices. In this context, partner farmers contribute to the formation of coffee selling prices jointly with Puntang Coffee through price negotiations conducted during membership meetings.

High bargaining power among farmers within partnership programs is, in principle, expected to enhance their negotiating position and confidence. However, in certain circumstances, strong bargaining power may negatively affect the loyalty of partner farmers. When farmers possess substantial bargaining power, they tend to focus primarily on financial aspects of the partnership, such as demanding higher selling prices or additional material incentives. This strength may also lead farmers to perceive that they have more alternative business partners, thereby increasing the likelihood of withdrawing from partnership agreements when problems arise or when more financially attractive offers become available (Wahyuni, 2021). Such conditions may potentially result in lower loyalty among partner farmers toward UKM Puntang Coffee.

This phenomenon is further reinforced by the decline in the number of partner farmers of UKM Puntang Coffee since 2022. This decrease indicates challenges in maintaining partner farmer loyalty, which, if not addressed promptly, may affect the sustainability of coffee bean supply as a key production input as well as the company's revenue targets.

Based on those issues, strategic efforts are required to maintain and enhance the loyalty of partner coffee farmers so that they continue their partnership with UKM Puntang Coffee. One approach that can be taken on is to improve partner farmers' satisfaction with the partnership program. Farmers who feel satisfied tend to experience greater comfort in fulfilling partnership obligations, which may lead to improved work quality and production outcomes. Moreover, satisfied partner farmers are less likely to switch to competing companies and are more willing to recommend UKM Puntang Coffee as a preferred partner to other coffee farmers who have not yet engaged in a partnership (Tjiptono, 2014).

Partner farmers' satisfaction is closely linked to the quality of services provided by the company. Patimah et al. (2016) argue that partner farmer satisfaction is strongly associated with service quality, whereby farmers compare the services they receive with those they expect. Accordingly, the service quality delivered by UKM Puntang Coffee is presumed to play an important role in shaping satisfaction, which in turn influences partner farmer loyalty throughout their participation in the partnership program.

This study focuses on issues related to partnership programs between farmer and SMEs. Previous studies indicate that service quality has a positive and significant effect on satisfaction (Zusmawati et al., 2023), service quality has a direct positive and significant effect on loyalty (Muhtarom et al., 2022), service quality has an indirect positive and significant effect on loyalty through satisfaction as a mediating variable (Wiratni & Panasea, 2023), and satisfaction has a positive and significant effect on loyalty (Gultom et al., 2020). However, these findings are not consistent with the study by Yusuf & Syamsudin (2023), which reports that satisfaction does not directly influence loyalty and does not function as a mediating variable between service quality and loyalty. Based on this research gap, this

study seeks to further examine the mediating role of satisfaction in the relationship between service quality and the loyalty of coffee farmers as partner farmers of UKM Puntang Coffee.

METHOD

This study was conducted at UKM Puntang Coffee located in Campakamulya Village, Cimaung Subdistrict, Bandung Regency. The sample was determined using a non-probability sampling technique, specifically accidental sampling, whereby any partner farmer encountered by the researcher who met the criteria as a data source was eligible to be included as a respondent (Sugiyono, 2022). The population consisted of 105 partner farmers. To determine the required sample size, the Lemeshow (1997) formula for a known population was applied, resulting in a minimum sample of 82 respondents, which by the researcher is rounded up to 84 respondents.

Data were collected using a structured closed-ended questionnaire developed based on the indicators of each research variable. The collected data were then analyzed using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) approach with the assistance of SmartPLS version 4.0. The analysis proceeded through several stages. The first stage involved evaluating the outer model to assess the validity and reliability of the research instruments, including convergent validity through loading factor values and Average Variance Extracted (AVE), discriminant validity using the Fornell-Larcker criterion and cross-loadings, and construct reliability assessed by Cronbach's Alpha and Composite Reliability values.

The second stage involved evaluating the inner model to assess the relationships among latent constructs in the structural model. This evaluation was conducted by examining the R-square values to determine the model's explanatory power for endogenous variables, as well as the path coefficients to identify the direction and magnitude of the relationships among variables. Subsequently, the third stage consisted of hypothesis testing using the bootstrapping procedure to obtain t-statistics and p-values as the basis for determining the significance of both direct and indirect effects, including testing the role of satisfaction as a mediating variable. This sequence of analytical stages was employed to ensure that the study results possess adequate validity and reliability in explaining the effect of service quality on the loyalty of partner coffee farmers at UKM Puntang Coffee.

Hypotheses in this research are as follows:

- H₁: Service quality has a significant effect on the loyalty of partner farmers of UKM Puntang Coffee.
- H₂: Service quality has a significant effect on the satisfaction of partner farmers of UKM Puntang Coffee
- H₃: Satisfaction has a significant effect on the loyalty of partner farmers of UKM Puntang Coffee.
- H₄: Service quality has a significant effect on the loyalty of partner farmers of UKM Puntang Coffee through satisfaction.

RESULT AND DISCUSSION

Measurement Model Evaluation (*Outer Model*)

The measurement model in this study comprises two types. First, a reflective measurement model consisting of the variables reliability, responsiveness, assurance, empathy, tangibles, satisfaction, and partner farmer loyalty, all are measured reflectively. Second, a formative measurement model consists of the service quality variable which is measured formatively.

Reflective Measurement Model Evaluation at the First-Order Level

The evaluation of the reflective measurement model at the first-order stage in this study aims to assess the validity and reliability of the model across seven measured variables, namely reliability, responsiveness, assurance, empathy, tangibles, satisfaction, and partner farmer loyalty.

Convergent Validity Test

Convergent validity can be assessed using the outer loading values of each construct indicator and the Average Variance Extracted (AVE) of the variable.

Table 1. Convergent validity test result

| Variable | Measurement Item | Outer Loading | AVE | Result |
|----------------------------|------------------|---------------|-------|--------|
| Reliability (X1) | X1.1 | 0.842 | 0.729 | Valid |
| | X1.2 | 0.876 | | |
| | X1.3 | 0.826 | | |
| | X1.4 | 0.870 | | |
| Responsiveness (X2) | X2.1 | 0.893 | 0.811 | Valid |
| | X2.2 | 0.919 | | |
| | X2.3 | 0.889 | | |
| Assurance (X3) | X3.1 | 0.844 | 0.741 | Valid |
| | X3.2 | 0.865 | | |
| | X3.3 | 0.837 | | |
| | X3.4 | 0.896 | | |
| Empathy (X4) | X4.1 | 0.870 | 0.786 | Valid |
| | X4.2 | 0.912 | | |
| | X4.3 | 0.877 | | |
| Tangibles (X5) | X5.1 | 0.926 | 0.801 | Valid |
| | X5.2 | 0.894 | | |
| | X5.3 | 0.863 | | |
| Loyalty (Y) | Y1 | 0.896 | 0.746 | Valid |
| | Y2 | 0.895 | | |
| | Y3 | 0.902 | | |
| | Y4 | 0.864 | | |
| Satisfaction (Z) | Z1 | 0.871 | 0.791 | Valid |
| | Z2 | 0.900 | | |
| | Z3 | 0.822 | | |
| | Z4 | 0.860 | | |

Source: Data Processed, 2024

Table 1 presents the outer loading and Average Variance Extracted (AVE) values for the measurement indicators, all of which are valid. According to Hair Jr et al., (2021), measurement indicators are considered valid when the loading factor is ≥ 0.70 and the Average Variance Extracted (AVE) is ≥ 0.50 ; therefore, all measurement items in this study meet the criteria for good convergent validity.

Discriminant Validity Test

Discriminant validity testing aims to ensure that each construct within the latent model is distinct from other variables. In addition, discriminant validity serves as an evaluation to confirm that variables are theoretically different and empirically supported through statistical testing. The results of this test can be examined using the Fornell-Larcker criterion table and the HTMT (Heterotrait–Monotrait Ratio) in Table 2.

Table 2. Fornell lacker table

| | X5 | X2 | X4 | X3 | X1 | Z | Y |
|-----------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| X5 | 0.895 | | | | | | |
| X2 | 0.591 | 0.900 | | | | | |
| X4 | 0.688 | 0.669 | 0.886 | | | | |
| X3 | 0.615 | 0.688 | 0.648 | 0.861 | | | |
| X1 | 0.596 | 0.657 | 0.662 | 0.775 | 0.854 | | |
| Z | 0.759 | 0.622 | 0.692 | 0.686 | 0.683 | 0.863 | |
| Y | 0.676 | 0.643 | 0.742 | 0.694 | 0.696 | 0.788 | 0.889 |

Source: Data Processed, 2024

According to Hair Jr et al., (2021), the Fornell and Larcker criterion is satisfied when the square root of the AVE for each construct is greater than the correlations between constructs. Table 2 shows that the square root of the AVE for each construct is higher than the correlations among constructs, indicating that the discriminant validity of all constructs is established.

Table 3. Heterotrait–monotrait ratio

| | X5 | X2 | X4 | X3 | X1 | Z | Y |
|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|
| X5 | | | | | | | |
| X2 | 0.671 | | | | | | |
| X4 | 0.791 | 0.764 | | | | | |
| X3 | 0.693 | 0.777 | 0.738 | | | | |
| X1 | 0.675 | 0.744 | 0.757 | 0.877 | | | |
| Z | 0.861 | 0.703 | 0.786 | 0.770 | 0.769 | | |
| Y | 0.757 | 0.717 | 0.836 | 0.769 | 0.779 | 0.875 | |

Source: Data Processed, 2024

The recommended threshold for the HTMT test is below 0.90 (Hair Jr et al., (2021). As shown in Table 3, all HTMT values are below 0.90 for each pair of variables, indicating that discriminant validity has been achieved. This result suggests that each construct shares greater variance with its own measurement items than with items measuring other constructs.

Reliability Test

Table 4. Reliability test

| Variable | Cronbach's Alpha | Composite Reliability | Result |
|----------------------------|-------------------------|------------------------------|---------------|
| Reliability (X1) | 0.876 | 0.879 | Reliable |
| Responsiveness (X2) | 0.883 | 0.884 | Reliable |
| Assurance (X3) | 0.883 | 0.886 | Reliable |
| Emphaty (X4) | 0.864 | 0.866 | Reliable |
| Tangibles (X5) | 0.875 | 0.880 | Reliable |
| Loyalitas (Y) | 0.912 | 0.888 | Reliable |
| Kepuasan (Z) | 0.886 | 0.912 | Reliable |

Source: Data Processed, 2024

Table 4 shows that the Cronbach's Alpha and Composite Reliability values for all variables exceed 0.70, indicating that all variables in this study are reliable.

Reflective Measurement Model Evaluation at the Second-Order Level

The evaluation of the formative measurement model at the second-order stage in this study aims to assess the validity and reliability of only one variable, namely service quality. The formative

measurement model is evaluated based on the significance of the outer weights and the absence of multicollinearity among measurement items, as indicated by outer VIF values below 5.

In the SEM-PLS model test, it was shown that farmers' knowledge level of digital marketing in DPG, Teluk Pakedai Subdistrict is influenced by farmers' characteristics.

Outer Weight and Outer Loading

Table 5. Test result of outer weight and outer loading the second-order level

| Variable | Item | Outer Weight | P-Value Outer Weight | Outer Loading | P-Value Outer Loading |
|----------------------------|----------------------------------|--------------|----------------------|---------------|-----------------------|
| Service Quality (X) | Reliability (X ₁) | 0.220 | 0.038 | 0.843 | 0.000 |
| | Responsiveness (X ₂) | 0.070 | 0.230 | 0.773 | 0.000 |
| | Assurance (X ₃) | 0.203 | 0.034 | 0.844 | 0.000 |
| | Emphaty (X ₄) | 0.291 | 0.002 | 0.876 | 0.000 |
| | Tangibles (X ₅) | 0.381 | 0.000 | 0.878 | 0.000 |

Source: Data Processed, 2024

Based on the data processing results presented in Table 5, four indicators were found to have a significant effect on the service quality perceived by partner farmers, namely reliability (X₁), assurance (X₃), empathy (X₄), and tangibles (X₅), as indicated by p-values < 0.05. This finding suggests that improvements in the dimensions of reliability, assurance, empathy, and tangibles will enhance the overall service quality delivered to partner farmers. The reliability dimension is reflected in the alignment between rights and obligations, satisfactory coffee purchase prices, ease of accessing farm credit, and the adequacy of loan amounts. The assurance dimension is built upon the provision of accurate information, farmers' trust, increased partner farmer income, and the frequency of technical guidance provided by the company. The empathy dimension is demonstrated through the company's friendliness, concern for partner farmers, and the comfort experienced by members throughout the partnership. Meanwhile, the tangibles dimension is indicated by the presence of clear company SOPs, availability of transportation facilities for harvesting outputs, and the existence of coffee storage warehouses located near the plantations. In contrast, only one indicator—responsiveness (X₂)—was found to have no significant effect on the service quality variable (X), as indicated by a p-value > 0.05. Nevertheless, this indicator has an outer loading value above 0.50; therefore, it was retained in the analysis process (Hair Jr et al., 2021).

Outer VIF (Variance Inflated Factor)

The second assessment of the formative measurement model for the service quality variable is conducted by examining the outer VIF values. The outer VIF criterion is considered satisfied when the outer VIF value is less than 5 (Hair Jr et al., 2021).

Table 6. Value of Outer VIF (Variance Inflated Factor)

| Variable | Dimension | Outer VIF | Result |
|----------------------------|----------------------------------|-----------|-----------|
| Service Quality (X) | Reliability (X ₁) | 2.901 | Fulfilled |
| | Responsiveness (X ₂) | 2.353 | Fulfilled |
| | Assurance (X ₃) | 3.053 | Fulfilled |
| | Emphaty (X ₄) | 2.594 | Fulfilled |
| | Tangibles (X ₅) | 2.141 | Fulfilled |

Source: Data Processed, 2024

Based on Table 6 above, the estimation results indicate that the outer VIF values for all dimensions are below 5, suggesting that there is no multicollinearity among the measurement items.

Evaluation of Struktural Model (Inner Model)

The structural model (inner model) evaluation is related to hypothesis testing of the relationships among the research variables. Structural model testing is conducted to predict causal relationships among variables or to test hypotheses. In this study, the structural model evaluation is used to examine the relationships between the service quality variable (X), the satisfaction variable (Z), and the loyalty variable of partner farmers (Y).

Inner VIF (Variance Inflated Factor)

Before conducting hypothesis testing on the structural model, it is necessary to examine whether multicollinearity exists among variables using the inner Variance Inflation Factor (inner VIF) statistic.

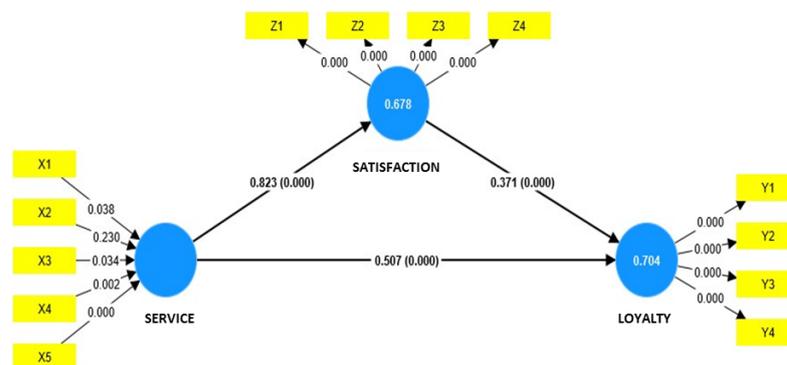
Table 7. Value of inner VIF

| | Inner VIF | Result |
|-----------------------------------|-----------|-----------|
| Satisfaction -> Loyalty | 3.106 | Fulfilled |
| Service -> Satisfaction | 1.000 | Fulfilled |
| Service -> Loyalty | 3.106 | Fulfilled |

Source: Data Processed, 2024

Based on the estimation results presented in Table 7, the inner VIF values for all variables are below 5, indicating a low level of multicollinearity among variables (Hair Jr et al., 2021). This finding reinforces that the parameter estimation results in the SEM-PLS model are robust (unbiased).

Hypothesis Testing (Path Coefficient)



Source: Data Processed, 2024

Figure 1. Analysis result of path coefficient in structural model

Based on Figure 1, the hypothesis testing results were obtained through a bootstrapping procedure with 5,000 subsamples. SEM-PLS does not assume that the data are normally distributed; therefore, hypothesis testing was conducted using a non-parametric bootstrapping approach.

Table 8. Hypothesis testing result

| Hypothesis | Hypothesis Statement | Path Coefficient | P-value | T statistic | 95% Confidence Interval Path Coefficient | |
|---------------------|-------------------------|------------------|---------|-------------|--|-------------|
| | | | | | Upper Limit | Lower Limit |
| Hypothesis 1 | Service -> Loyalty | 0.507 | 0.000 | 4.766 | 0.323 | 0.660 |
| Hypothesis 2 | Service -> Satisfaction | 0.823 | 0.000 | 26.313 | 0.755 | 0.864 |
| Hypothesis 3 | Satisfaction -> Loyalty | 0.371 | 0.000 | 3.309 | 0.207 | 0.560 |

Source: Data Processed, 2024

Based on Table 8, the hypothesis testing results indicate that all p-values are below 0.05 or the t-statistics exceed 1.96. This demonstrates that all tested relationships in this study have statistically significant effects.

First Hypothesis (Hypothesis 1 is accepted): Service quality influences the loyalty of partner farmers.

The results indicate that service quality has an effect on partner farmers' loyalty of 0.507 and is statistically significant, with a t-statistic ($4.766 > 1.96$) and p-value ($0.000 < 0.05$). This implies that partner farmers' loyalty increases as the quality of service improves. Within a 95% confidence interval, the magnitude of the effect of service quality on partner farmers' loyalty ranges from 0.323 to 0.660. These findings suggest that if service quality toward partner farmers is strongly enhanced, the estimated increase in loyalty may reach up to 0.660.

Second Hypothesis (Hypothesis 2 is accepted): Service quality influences partner farmers' satisfaction

The results indicate that service quality has an effect on partner farmers' satisfaction with a coefficient of 0.823 and is statistically significant, as shown by the t-statistic ($26.313 > 1.96$) and p-value ($0.000 < 0.05$). This implies that any improvement in service quality is associated with an increase in partner farmers' satisfaction. Within a 95% confidence interval, the magnitude of the effect of service quality on satisfaction ranges from 0.755 to 0.864, indicating that stronger improvements in service quality could raise satisfaction by up to 0.864.

Third Hypothesis (Hypothesis 3 is accepted): Satisfaction of partner farmers influences the loyalty of partner farmers

The results indicate that satisfaction has an effect on partner farmers' loyalty with a coefficient of 0.371 and is statistically significant, as shown by the t-statistic ($3.309 > 1.96$) and p-value ($0.000 < 0.05$). This implies that any increase in satisfaction is associated with an increase in partner farmers' loyalty. Within a 95% confidence interval, the magnitude of the effect of satisfaction on loyalty ranges from 0.207 to 0.560, indicating that stronger improvements in satisfaction could raise loyalty by up to 0.560.

Mediation Test (Indirect Effect)

The mediation test in this study was used to determine whether satisfaction acts as a mediating (intervening) variable in the relationship between service quality and loyalty. Service quality is hypothesized to have both a direct effect on loyalty and an indirect effect through satisfaction, indicating that satisfaction functions as a mediating variable in the relationship between service quality and loyalty.

Table 9. Mediation test result (indirect effect)

| Hypothesis | Hypothesis Statement | Path Coefficient | P-values | T statistic | 95% Confidence Interval Path Co-efficient | |
|--------------------|--|------------------|----------|-------------|---|-------------|
| | | | | | Upper Limit | Lower Limit |
| Hipotesis 4 | Service -> Satisfaction -> Loyalty | 0.305 | 0.001 | 3.268 | 0.168 | 0.467 |

Source: Data Processed, 2024

As shown as Table 9, based on the results of the indirect effect hypothesis testing, the following findings were obtained.

Fourth Hypothesis (Hypothesis 4 is accepted): Service quality influences partner farmers' loyalty through satisfaction.

The results indicate that service quality affects partner farmers' loyalty with satisfaction acting as a mediating variable. This is evidenced by the hypothesis test results with a t-statistic ($3.268 > 1.96$) or p-values ($0.001 < 0.05$). This implies that the better the service quality perceived through the experiences of partner farmers, the higher their satisfaction and, consequently, their loyalty to UKM Puntang Coffee. Within the 95% confidence interval, the magnitude of the mediating effect of satisfaction on the relationship between service quality and partner farmers' loyalty ranges from 0.168 to 0.467.

F-square (Effect Size)

F-square (effect size) is used to measure the magnitude of the influence of exogenous and/or endogenous latent variables on endogenous variables at the structural level. The f-square criteria according to Hair Jr et al., (2021) are 0.02 (small), 0.15 (moderate), and 0.35 (large).

Table 10. F-square value

| | F-square | Result |
|-----------------------------------|----------|-----------|
| Service -> Loyalty | 0.280 | Fulfilled |
| Service -> Satisfaction | 2.106 | Fulfilled |
| Satisfaction -> Loyalty | 0.150 | Fulfilled |

Source: Data Processed, 2024

Based on Table 10, the f-square value for service quality on loyalty is 0.280, indicating that the effect of service quality on loyalty falls into the moderate category. Meanwhile, the f-square value for service quality on satisfaction is 2.106, indicating a large effect of service quality on satisfaction. The f-square value for satisfaction on partner farmer loyalty is 0.150, indicating that the effect of satisfaction on loyalty is in the moderate category.

Mediation Effect of Upsilon Statistic (v)

The mediation effect of upsilon statistic (v) represents the effect size of the mediating variable, indicating the magnitude of the mediator's influence at the structural level. Referring to Cohen's recommendation, upsilon (v) values can be classified as 0.175 (high mediation effect), 0.075 (medium mediation effect), and 0.01 (low mediation effect).

Table 11. Mediation effect of upsilon statistic (v)

| Effect | Upsilon Statistic (v) | Note |
|--|--------------------------------------|-------------------------|
| Service quality -> satisfaction -> loyalty | $(0,823)^2 \times (0,371)^2 = 0,093$ | medium mediation effect |

Source: Data Processed, 2024

Based on the calculation presented in Table 11, the role of satisfaction in mediating the indirect effect of service quality on partner farmers' loyalty at the structural level is categorized as a moderate effect, with a value of 0.093.

The Influence of Service Quality on Partner Farmer Loyalty

The first hypothesis in this study states that service quality influences the loyalty of partner farmers. The analysis results indicate that high-quality service has a significant effect on partner farmers' loyalty. When farmers feel satisfied with the services provided by the partner company, they tend to feel valued and supported. This finding is consistent with Muhtarom et al., (2022), which reported that service quality has a positive and significant effect on loyalty. This implies that the better the service quality provided, the higher the level of loyalty.

Service quality is one of the primary factors influencing the loyalty of partner farmers. High-quality services—such as responsiveness to farmers' needs, the company's care and friendliness, the provision of relevant information, and effective problem-solving—can enhance the satisfaction level of partner farmers. This is consistent with Pradeep et al., (2020), who stated that customer loyalty is assessed based on the quality of services provided for a product or service. Customers often become disloyal due to poor service quality or a decline in service performance relative to their expectations.

Fundamentally, good service quality reflects the extent to which an organization or company is able to meet or even exceed customer expectations (Tjiptono, 2014). In the context of research involving partner farmers, high-quality services provided by companies or agricultural institutions can play a significant role in shaping farmers' loyalty. Service quality can influence partner farmers' loyalty through five factors: reliability, responsiveness, assurance, empathy, and tangibles. The reliability factor includes the fulfilment of rights and obligations, satisfactory coffee purchase prices, ease of accessing farm credit, and the amount of loans provided. The responsiveness factor includes prompt service, timeliness of harvest payments, and the responsiveness of management in handling farmers' complaints and requests. The assurance factor includes accurate information provision, farmers' trust, increased farmer income, and the frequency of training provided by the company. The empathy factor includes the friendliness of management, concern for partner farmers, and the sense of comfort provided to farmers. Finally, the tangibles factor includes clear standard operating procedures, the availability of transportation facilities, and coffee storage warehouses located close to the plantations. The findings of this study indicate that four main factors significantly influence service quality: reliability, assurance, empathy, and tangibles.

The Influence of Service Quality on Partner Farmer Satisfaction

Hypothesis 2 (H2) in this study states that service quality influences partner farmers' satisfaction. Evidence indicating that high service quality significantly affects partner farmers' satisfaction highlights the importance of service factors in the relationship between the core company and partner farmers. Partner farmer satisfaction can be regarded as a measure of the extent to which their expectations are met or exceeded regarding the services provided by the company or agricultural institution. This is supported by Zusmawati et al., (2023), who found that service quality has a positive and significant effect on customer satisfaction, meaning that better service quality leads to higher satisfaction level.

The findings show that partner farmers' satisfaction is significantly influenced by the dimensions of reliability, assurance, empathy, and tangibles; while the responsiveness dimension does not significantly affect satisfaction. High-quality service has a substantial impact on partner farmers' satisfaction, as reflected in the effect size of 0.823 (82.3%) within a 95% confidence interval. This indicates that when partner farmers perceive that the services they receive from the core company meet their expectations, they tend to feel more satisfied and have a positive experience throughout their partnership with UKM Puntang Coffee. Consequently, improved service quality can enhance partner farmers' satisfaction, reduce the likelihood of switching to other companies, and strengthen long-term relationships between partner farmers and UKM Puntang Coffee. If service quality is strongly enhanced, the estimated level of partner farmer satisfaction could reach 0.864 (86.4%). Therefore, UKM Puntang Coffee needs to continuously monitor and improve the quality of its services to meet partner farmers' expectations and increase their satisfaction level.

The Influence of Member Satisfaction on Partner Farmer Loyalty

Hypothesis 3 (H3) in this study is that satisfaction influences partner farmer loyalty. Studies indicating that partner farmer satisfaction significantly affects loyalty demonstrate that the level of satisfaction experienced by partner farmers can be an important factor in maintaining long-term partnership relationships. Consistent and sustained satisfaction can serve as a foundation for long term loyalty. Farmers who repeatedly feel satisfied are more likely to remain committed and loyal to the company. This is supported by Gultom et al., (2020) and Bali (2022), who found that satisfaction has an effect on loyalty, meaning that loyalty increases as partner farmers feel more satisfied.

This study shows that partner farmer satisfaction has a positive impact on partner farmer loyalty. This is reflected in the fact that most respondents were pleased with their decision to partner with UKM Puntang Coffee and reported positive experiences during the partnership. This suggests that they are likely to continue cooperating with the company for a longer period and are less likely to switch to other companies. In conclusion, the findings indicate that partner farmer satisfaction has a significant effect on loyalty. High-quality service, mutually beneficial relationships, as well as effective communication and participation are key factors in increasing satisfaction and strengthening loyalty. This is supported by Asmaliah et al., (2022), who found that customer satisfaction significantly affects loyalty. Therefore, the core company needs to pay attention to these factors in order to maintain and enhance partner farmer loyalty.

The Role of Satisfaction in Mediating the Effect of Service Quality on Partner Farmer Loyalty

Hypothesis 4 (H4) states that service quality affects loyalty through partner farmer satisfaction. The findings indicate that the service quality provided by a core company has a significant impact on partner farmer loyalty, with satisfaction acting as a mediating variable. This is supported by (Anggraini & Budiarti (2020) and Haykal et al., (2023), who found that service quality indirectly has a positive and significant effect on loyalty through satisfaction. In other words, better service quality increases customer satisfaction, which in turn enhances loyalty.

The results further show that the better the service quality provided by UKM Puntang Coffee, the higher the likelihood that partner farmers will remain loyal and continue cooperating with the company in the long term. These findings indicate that partner farmer satisfaction mediates the relationship between service quality and loyalty. A relevant study by Wiratni & Panasea (2023) also found that satisfaction positively and significantly mediates the effect of service quality on plasma member loyalty. This suggests that to achieve loyal attitudes, core companies must first create satisfaction and maintain it over time. Therefore, maintaining loyalty among partner farmers requires continuous improvement in service quality and sustained efforts to ensure satisfaction.

Overall, the findings provide practical implications for companies engaged in partnerships with farmers. To enhance partner farmer loyalty, it is important to focus on improving service quality. Ensuring that services meet or exceed partner farmers' expectations can be an effective strategy to strengthen loyalty and sustain long-term cooperation. In conclusion, the study offers deeper insight into the crucial role of partner farmer satisfaction as a link between service quality and loyalty. This interpretation can serve as a foundation for core companies to refine service management strategies and strengthen relationships with their partner farmers.

CONCLUSIONS

The results indicate that service quality has a positive and significant effect on the loyalty of partner farmers of UKM Puntang Coffee, both directly and indirectly through satisfaction as a mediating variable. These findings confirm that partner farmer satisfaction plays a crucial role in strengthening partnership relationships and maintaining farmer loyalty amid increasing bargaining power and partnership options. Practically, the study implies that consistent, responsive, and farmer's need oriented service quality improvement should be a primary focus in managing coffee SME partnerships. Such efforts have the potential to enhance partner farmer satisfaction, reduce the likelihood of switching to competitors, and ensure the sustainability of raw material supply.

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