The Influence of Service Quality and Perception of Large Financing Margin on Financing Application Decisions and their Impact on Customer Satisfaction

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Abstract

The rise of digitalization of financial services has led to a lot of emerging fintech (financial technology) start-ups. However, because fintech start-ups have several risks, the Bank remains the main option in the selection of financing/credit services for the bankable community. The importance of service quality factors and the perception of large financing margins that are in accordance with the customer needs in order to increase the market share of Islamic finance which is still at 5.7%, the researchers feel the need to conduct this study. This research was conducted at PT Bank Syariah Mandiri, the sample was taken were 224 customers with a purposive sampling method. Data collection is done by distributing questionnaires using a 5-point Likert scale to measure 33 indicators. The analysis technique used is SEM with the AMOS 22.0 program to calculate the effect of each variable. The results revealed that service quality has a positive and significant effect on financing application decisions, service quality has a positive and significant effect on customer satisfaction, perception of large financing margin has a positive and significant effect on customer satisfaction, financing application decisions have a positive and significant effect on customer satisfaction. Service quality has a positive and significant effect on customer satisfaction mediated by financing application decisions, the perceptions of large financing margins have a positive and significant effect on customer satisfaction variables mediated by variable financing decisions.

Keywords: Service quality, perception of large financing margin, financing application decisions, customer satisfaction

Introduction

The rise of digitalization of financial services has led to a lot of emerging fintech (financial technology) start-ups. However, because fintech start-ups have several risks, the Bank remains the main option in the selection of financing/credit services for the bankable community.
In line with the customer survey conducted by BI, it is estimated that the growth of financing/credit in 2018 will reach 11.06% yoy higher than the realization of financing growth in 2017 of 8.2% yoy. (Bank Indonesia, 2018)

The population of Indonesian people, the majority of whom are Muslim, is a potential market of Sharia products and services, but the potential is still not optimally explored. This can be seen from the market share of Islamic banking towards national banks which amounted to 5.73% in July 2018. (Saraswati, 2018)

Survey one has conducted online surveys for people who have used consumer financing services, in this case KPR products. Found a number of factors that consumers consider in choosing a mortgage. The factors that were considered were credit interest/financing margin (83.75%), financing period (58.1), given financing ceiling (55.8%), while the length of the process and insurance factors were fourth and fifth. (Leorance, 2018)

In the 2018 Top Brand Award conducted by Frontier Consulting Group, BSM KPR products are among the top brands in the home financing product category. This top brand has won 3 parameters, namely top of mind share, top of market share, and top of commitment share. In this study using a questionnaire developed specifically for the Top Brand Index (TBI) survey.

For the category of bank & finance involving conventional and Sharia, KPR Bank Syariah Mandiri (KPR BSM) product won the top brand KPR category award with TBI 4.1%. It ranks fourth after KPR BTN (TBI 53.6%), KPR BRI (TBI 11.2%), KPR BCA (5.9%) and BNI Griya (5.5%). (Frontier, 2018)

Quality services are needed by banks in attracting the public to conduct financial transactions. Service quality is the expected level of excellence and control over excellence is carried out to meet customer desires. (Tjiptono, 2007)

Prices when viewed from the customer's point of view are often used as an indicator of value when associated with perceived benefits for the use of a service. The value can be felt by customers is higher, it will create maximum customer satisfaction. (Tjiptono, 2007)

Determination of interest rates for a conventional bank is the determination of the price of the commodity traded by the bank. In a Sharia Bank known as a financing margin. Determination of interest rates is generally classified into two, namely: risk based and market interest rates. (Ikatan Bankir Indonesia, 2016)

Based on Susanti (2016); Ika (2015) that prices and service quality affect customer satisfaction. Whereas according to Laksana's research (2011) that the amount of the financing margin and service quality has a positive and significant effect on the customer's decision in taking financing.

Bank employees are people who are well educated compared to the community in general regarding the services of the bank itself, because employees in the day-to-day struggle with banking services. So that it is expected that bank employees fall into the well literate category, namely having knowledge and confidence about financial service institutions and financial service products, including features, benefits and risks, rights and obligations related to financial products and services, and having skills in using financial products and services. (Bank Indonesia, 2018)

Bank employees are chosen because to facilitate sampling, and besides that this research is expected to be developed by internal parties of the Bank in reviewing employee internal financing /soft loans as a form of employee retention and appreciation.

The importance of service quality factors and the perception of large financing margins in accordance with customer needs in order to increase the market share of Islamic finance which is still at 5.7%, the researchers feel the need to conduct a study.
**Literature Review**

Service quality is the result of an evaluation process where customers compare their perceptions of service delivery and the results of what they have expected. (Lovelock & Wirtz, 2011)

Service quality is an invisible activity that occurs as a result of interactions between consumers and employees or other things provided by service providers intended to solve customer or consumer problems. (Ratmiko, 2005)

Price is a sum of money charged to a particular product, so that to get a number of products / services, the consumer must spend money according to the agreed price. (Sunyoto, 2012). In Islamic banks there are terms of financing margins. The large of the financing margin is expressed in the form of a nominal rupiah or a ratio (portion of profit sharing) that has been previously determined according to the financing contract used. Prices in Islamic banks are the basic price plus the agreed margin.

Purchasing decisions are the stage of the decision making process of buyers where consumers really buy. In this study the customer makes a decision to apply for financing. (Kottler & Amstrong, 2008)

Customer satisfaction is the level of one's feelings after comparing the performance (or results) that he feels compared to his expectations. (Kottler & Keller, 2009)

Customer satisfaction is the cognitive situation of the buyer with regard to equivalence or incompatibility between the results obtained compared to the sacrifices made. (Tjiptono, 2007)

**Service quality and financing application decisions**

Laksana's research (2011), Susanti (2016), Nastiti (2013), Bashir (2012), dan Frangos (2012) which shows that service quality has a significant positive effect on customer financing application decisions.

H1 = service quality has a positive effect on the decision on financing requests.

**Perception of the large of the financing margin and the decision on the customer's financing request.**

Research Oktavianingrum (2016), ), Lubis (2016), Nastiti (2013), Juiati (2017), and Yesi (2016) which shows that financing margins have a positive effect on the decision of financing customer requests.

H2 = financing margin has a positive effect on the decision on financing requests.

**Service quality and customer satisfaction**

Ika Research, Widyasari (2017), Susanti (2016), Ahidin (2018), Simamora (2007), Ivone (2010), and Anita (2015) which shows that service quality has a positive effect on customer satisfaction.

H3 = service quality has a positive effect on customer satisfaction.
Perception of large financing margins and customer satisfaction

Susanti’s (2016) and Laksana (2011) research shows that financing margins have a positive effect on customer satisfaction.

H4 = the perception of large financing margins has a positive effect on customer satisfaction.

Decision on application for financing and customer satisfaction

Roisah Research (2013), Ika (2015) and Hamid (2013), which shows that financing application decisions have a positive effect on customer satisfaction.

H5 = financing application decisions have a positive effect on customer satisfaction.

Service quality and financing application decisions and customer satisfaction

Susanti’s research (2016), Ika (2015) and Laksana (2011) shows that service quality has a positive effect on customer financing purchasing decisions that have an impact on customer satisfaction.

H6 = service quality has a positive effect on financing application decisions that have an impact on customer satisfaction.

Large perception of financing margin, decision on financing requests and customer satisfaction

Ika Research (2015), Susanti (2016) which shows that financing margins have a positive effect on financing customer purchasing decisions that have an impact on customer satisfaction.

H7 = financing margin has a positive effect on financing customer purchasing decisions that have an impact on customer satisfaction.

The hypothesis formulated above can be illustrated in Figure 1, by displaying research variables which are latent variables. The indicators used to measure these variables are not shown in the figure.

Figure 1: Research Hypothesis Model
Research Method

This research was conducted at PT Bank Syariah Mandiri, with a customer population of mortgage loans and samples taken as many as 224 internal customers (employees of PT BSM) with a purposive sampling method. Data collection is done by distributing questionnaires using the Likert scale 1-5 to measure 33 indicators.

The analysis technique used is Structural Equation Modeling (SEM) with the AMOS 22.0 program to calculate the effect of each variable. The research instrument testing was carried out by validity and reliability, while the SEM assumption test was carried out by normality test and outlier test. This study uses CFA (Confirmatory Factor Analysis) analysis in SEM which is used to confirm the most dominant factors in one group of variables.

Results and Discussion

Validity Testing Results

The research instrument is stated as valid if it fulfills the criteria of Instrument Critical Ratio (CR) value > 1.96 with the Probability (P) < 0.05. The results of data processing show that all indicators have a CR value > 1.96 and P < 0.05 with the highest CR value 15.609 on the Kp 5 indicator and the lowest CR value 8.567 on the Ha 6 indicator and significance <0.001. Then all indicators in this study are declared valid.

Reliability Testing Results

The research instruments were stated as reliable if there was a reliability coefficient or Cronbach’s alpha as much as 0.6 or more. The instrument reliability test results on each variable in this study indicate that the cronbach’s alpha value for all variables is above the value of 0.60, that is the perception of the financing margin has a cronbach's alpha value of 0.888, service quality has a cronbach's alpha value of 0.956, customer satisfaction has a cronbach's alpha value of 0.946, and the financing application decision has a cronbach's alpha value of 0.922. From these results it shows that all instruments used in this study are reliable.

Normality Testing Results

To conduct normality testing on AMOS, it can be performed by comparing the CR (critical ratio) value on assessment of normality with the expected value around ± 2.58 both in univariate and multivariate. If the CR value is beyond the numbers, the data distribution is irregular. Test results for normality for univariate and multivariate data produced CR value (critical ratio) outside the range ± 2.58, so that not all data is normally distributed.

Outlier Testing Results

Outlier testing was performed by detecting the extreme data by looking at the value of Mahalanobis count < Chi-Square Distribution Table. The outlier test in this study shows that the results of the minimum Mahalanobis distance are 33,051 and the maximum is 146,422. The Chi Square value obtained from the Chi Square Distribution Table with 33 free degrees (the number of indicators for all variables) on the probability level of 0.05 shows a value of 541,551. Because the Mahalanobis value counts (146,422) < Chi Square Distribution Table (541,551) thus there is no outlier data.
SEM Model Accuracy Testing

In the Confirmatory Factor Analysis, SEM model accuracy testing was conducted. The model improvement was undertaken by removing the most occurred error term in the highest M.I. Covariance value on AMOS (Modification Indices) output to decrease the chi-square value. The analysis results of model accuracy conducted can be seen in the following figure.

Figure 2: Research Structure of SEM after Modification

Furthermore, the results of the measurement of the Goodness of fit final model criteria are as presented in the following Table 1:

<table>
<thead>
<tr>
<th>Goodness of fit-index</th>
<th>Cut-off value</th>
<th>Hasil</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chi-Square</strong></td>
<td>≤ 541,551 (sesuai df)</td>
<td>76,769</td>
<td>Fit</td>
</tr>
<tr>
<td><strong>Probability</strong></td>
<td>≥ 0,05</td>
<td>0,060</td>
<td>Fit</td>
</tr>
<tr>
<td><strong>RMSEA</strong></td>
<td>≤ 0,08</td>
<td>0,037</td>
<td>Fit</td>
</tr>
</tbody>
</table>
Based on the table above, it is clearly seen that seven (7) indicators of model suitability have shown good values. The most important aspect in assessing the Goodness of Fit Index from the overall model test results is the good value of chi-square. If the other indexes were fulfilled, then it indicates that the data fit better and the model can be accepted.

**Research Hypothesis Testing**

In performing the test of significance, the significance level of ($\alpha$) < 5% was used, to find out the significance from the direct effect between variables the Regression Weights data in AMOS output were utilized. Meanwhile, to know the significance from indirect effect between variables Sobel test was used because the AMOS program did not produce the indirect role significance output. The following is the Table of Regression Weights from the calculation results of AMOS 22.00:

**Table 2: Regression Weights Structural Equation Modeling**

<table>
<thead>
<tr>
<th>Label</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kualitas_Layanan -&gt; Keputusan_Permohonan_Pembiayaan</td>
<td>0.048</td>
<td>8.596</td>
<td>***</td>
<td>par_10</td>
</tr>
<tr>
<td>Kualitas_Layanan -&gt; Kepuasan_Nasabah</td>
<td>0.414</td>
<td>0.052</td>
<td>8.012</td>
<td>***</td>
</tr>
<tr>
<td>Keputusan_Permohonan_Pembiayaan -&gt; Kepuasan_Nasabah</td>
<td>0.453</td>
<td>0.052</td>
<td>8.777</td>
<td>***</td>
</tr>
<tr>
<td>Kualitas_Layanan -&gt; Persepsi_Besar_Margin</td>
<td>0.356</td>
<td>0.050</td>
<td>7.098</td>
<td>***</td>
</tr>
<tr>
<td>Persepsi_Besar_Margin -&gt; Keputusan_Permohonan_Pembiayaan</td>
<td>0.424</td>
<td>0.052</td>
<td>8.206</td>
<td>***</td>
</tr>
<tr>
<td>Persepsi_Besar_Margin -&gt; Kepuasan_Nasabah</td>
<td>0.449</td>
<td>0.057</td>
<td>7.839</td>
<td>***</td>
</tr>
</tbody>
</table>

The following is the results of the Sobel test as the fundamental in this hypothesis analysis of this research.
Table 3: Sobel Test Results on the Effect of Inter-Variable Mediation
Large perception of financing margin -> decision on financing requests -> customer satisfaction

<table>
<thead>
<tr>
<th>Input</th>
<th>Test statistic</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$t_a$ 8.206</td>
<td>Sobel test: 5.99422262</td>
<td>0</td>
</tr>
<tr>
<td>$t_b$ 8.777</td>
<td>Aroian test: 5.97357051</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Data processing (2019)

Table 4: Sobel Test Results on the Effect of Inter-Variable Mediation
Service Quality -> decision on financing requests -> customer satisfaction

<table>
<thead>
<tr>
<th>Input</th>
<th>Test statistic</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$t_a$ 8.596</td>
<td>Sobel test: 6.14128305</td>
<td>0</td>
</tr>
<tr>
<td>$t_b$ 8.777</td>
<td>Aroian test: 6.12103838</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Data processing (2019)

Based on the results of data analysis, then it can be concluded that there was only intervening effect in one of the paths with perfect mediation/ full mediation.

The following is the results of the research hypothesis testing summary as presented in Table 5 below.

Table 5: The Conclusion of Research Hypothesis Testing Results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>There is a positive influence between service quality variables on the variable decision of financing customer requests. Accepted (p &lt; 0.05)</td>
</tr>
<tr>
<td>H2</td>
<td>There is a positive influence between the variable perceptions of the large of the financing margin on the variable decision of the financing customer request. Accepted (p &lt; 0.05)</td>
</tr>
<tr>
<td>H3</td>
<td>There is a positive influence between service quality variables on customer satisfaction variables. Accepted (p &lt; 0.05)</td>
</tr>
<tr>
<td>H4</td>
<td>There is a positive influence between the variable financing margin on the variable customer satisfaction. Accepted (p &lt; 0.05)</td>
</tr>
<tr>
<td>H5</td>
<td>There is a positive influence between the decision Accepted</td>
</tr>
</tbody>
</table>
variables of customer financing requests on the variable customer satisfaction. (p < 0,05)

H6 There is a positive influence between service quality variables on customer satisfaction variables which are mediated by variable financing application decisions. Accepted (p < 0,05)

H7 There is a positive influence between the variable perception of large financing margins on the variable customer satisfaction which is mediated by the variable decision on financing request Accepted (p < 0,05)

Source: results of processed data (2019)

Service quality has a positive and significant effect on the decision on financing requests. This is indicated by the value of CR = 8,596 > 1,96 and the significance level of 0.001 (***) which is below alpha 5 percent. Thus the H1 hypothesis is proven in this analysis.

The perception of the large of the financing margin has a positive and significant effect on the decision on financing requests. This is indicated by the value of CR = 8,206 > 1,96 and the significance level of 0.001 (***) which is below alpha 5 percent. Thus the H2 hypothesis is proven in this analysis.

Service quality does not have a positive and insignificant effect on customer satisfaction. This is indicated by the value of CR 8,012 < 1, and the significance level of 0.001 (***) which is below alpha 5 percent. Thus the hypothesis H3 is proven in this analysis.

The perception of large financing margins has a positive and significant effect on customer satisfaction. This is indicated by the value of CR = 7,839 > 1,96 and the significance level of 0,001 (*** which is below alpha 5 percent. Thus the hypothesis H4 hypothesis is proven in this analysis.

The decision on financing requests has a positive and significant effect on the variable customer satisfaction. This is indicated by the CR value of 8,777 > 1,96 and the significance level of 0.001 (*** which is below alpha 5 percent. Thus the H5 hypothesis is proven in this analysis.

Service quality, financing application decisions and customer satisfaction have significant influence. This is indicated by the significance level of 0,001 (*** which is below alpha 5%. Thus the hypothesis H6 is proven in this analysis.

The perception of the large of the financing margin, the decision on financing requests and customer satisfaction has significant influence. This is indicated by the significance level of 0,001 (*** which is below alpha 5%. Thus the H7 hypothesis is proven in this analysis.

Conclusion

Service quality has a positive and significant effect on the decision on financing requests. This is in line with the research of Laksana (2011), Susanti (2016), Nastiti (2013), Bashir (2012), dan Frangos (2012) which shows that service quality has a significant positive effect on customer financing application decisions.

The perception of the large of the financing margin has a positive and significant effect on the variable decision of the financing customer request. This is similar to Oktavianingrum’s (2016), Lubis (2016), Nastiti (2013), Juiati (2017), and Yesi (2016) study which shows that financing margins have a positive effect on the decision of financing customer requests.
Service quality have a positive and significant effect on customer satisfaction. Further studies need to be done, whether the proof of service quality variables is not evident on the variable customer satisfaction because the research sample is conducted among internal customers (bank employees) or other things. Taking into account that the respondent has reduced the sense of sensitivity to the quality of service received when applying for financing, given that at certain times the respondent is also a service provider, so that the expectations / expectations for the quality of service received by respondents are not too large. Using different sample form this research who use bank employee as known as well literate in finance, the results of this study is similar from the results of Ika (2015), Widyasari (2017), Susanti (2016) which shows that service quality has a positive effect on customer satisfaction.

The large of the financing margin has a positive and significant effect on customer satisfaction. The amount of financing margin set by the bank is a concern of the customer, because this relates to the money to be paid. With this margin, customers can estimate the appropriate price of the product of financial services offered by the bank. Banking services that have the same quality but set a relatively cheaper financing margin that will provide higher value to customers.

Customer satisfaction contributes to important aspects of business activity, namely the creation of customer loyalty, increasing the company's reputation, reduced price elasticity, reduced future transaction costs and increased employee efficiency and productivity (Tjiptono, 2007). This is in line with Susanti (2016), Laksana (2011), and Widyasari et all (2017) research which shows that financing margins have a positive effect on customer satisfaction.

The decision on financing requests has a positive and significant effect on the variable customer satisfaction. When consumers buy certain products and feel satisfied with the performance of the product / service, consumers will often buy back the product whenever they need it. In this study, customers make a purchase decision in the form of a decision to request financing from a bank. In line with the Roisah (2013) study, Ika (2015), and Hamid (2013) which shows that financing customer purchasing decisions have a positive effect on customer satisfaction.

Mediation of service quality variables, financing application decisions and customer satisfaction have significant influence. Customers feel satisfied if they get good or appropriate service. In line with Susanti's research (2016), Ika (2015), and Laksana (2011) which shows that service quality has a positive effect on financing customer purchasing decisions that have an impact on customer satisfaction.

Mediation of the variable perception of the large of the financing margin, the decision on financing requests and customer satisfaction has a significant influence. Banking services that have the same quality but set a relatively cheaper financing margin that will provide higher value to customers. In line with the study of Ika (2015), Susanti (2016) which shows that financing margins have a positive effect on customer financing purchasing decisions that have an impact on customer satisfaction.

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