

## FACTORS THAT INFLUENCE MEMBER'S INTEREST IN CHOOSING PRODUCTS OF ISLAMIC COOPERATIVE IN LAMONGAN

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### Abstract

Indonesia is a Muslim country, and as a Muslim society, it is appropriate that all actions and behaviors are by Sharia, including financial transactions. The Sharia Savings and Loans and Financing Cooperative (KSPPS) Baitul Tamwil Muhammadiyah (BTM) Mulia Babat can be the right choice for the Muslim community, especially in Babat and its surroundings. Therefore, the purpose of this study is to determine the influence of Religiosity, service quality, and institutional location on customer interest in choosing products at the Sharia Savings and Loans and Financing Cooperative (KSPPS) Baitul Tamwil Muhammadiyah (BTM) Mulia Babat. This type of research is quantitative, using data analysis techniques and multiple linear regression. The study results indicate that service quality significantly affects customer interest in choosing financial products at KSPPS BTM Mulia Babat. Meanwhile, Religiosity and location have little effect on customer interest in choosing financial products at KSPPS BTM Mulia Babat. The results of this study are expected to provide essential considerations for Islamic microfinance institutions, especially KSPPS BTM Mulia Babat when formulating policies.

Keyword: *Religiosity, Service Quality, Location, Baitul Tamwil Muhammadiyah (BTM)*

### A. INTRODUCTION

Financial institutions are crucial to the economy of country, including Indonesia. Financial institutions, both banks and non-banks, play a significant role in economic activities (Wiwoho, 2014). The strategic role of these financial institutions is an instrument that can effectively and efficiently obtain and spend public funds to improve people's standard of living. (Wiwoho, 2014). With this role, financial institutions are expected to bring more benefits to the community, and the community is given the freedom to choose between Sharia and non-sharia financial institutions.

Many factors, including Religiosity, can influence a product or service. Religiosity is the degree to which a person can commit or be loyal to their Religion. It is known that Religion can have a powerful influence on a person (Safitri, 2017). This effect is reflected in a person's identity, character, and values, which ultimately influence their consumption behavior. This affects a Muslim's interest in contracting the services of a Sharia financial institution such as BTM. The higher the Religiosity, the more careful he is in making decisions. The higher the Religiosity of the customer, the greater the customer's interest in using products in Sharia financial institutions because the system used by Sharia financial institutions is by Islamic Sharia principles (Romdhoni & Ratnasari, 2018).

In addition to Religiosity, service quality is an essential factor affecting customer or member satisfaction in processing financial transactions. Quality is related to the condition of products, services, people, processes, and environments that can fulfill desires and needs, which leads to customer satisfaction because they meet their expectations (Sangadji & Sopiah, 2013). Syamsurizal et al. (2021) found that service affects customer interest in events at Islamic banks (Syamsurizal, A, Marseli, & Suwarni, 2021). This is because quality and responsive service increases people's desire to do business with Islamic financial institutions. Improving service quality can influence people's decisions to be interested in joining Islamic financial institutions.

Location is one-factor influencing customer interest in using Islamic financial institution services. The more strategic the institution's location, the easier for customers to do business and contact Islamic financial institutions. Based on Siregar's research (2016), the location variable positively affects customer interest (Siregar, 2016). The more strategic the institution's location, the easier it is for customers and prospective customers to use the financial services to increase the number of customers.

Savings and Loans and Financial Cooperative (KSPPS) Baitul Tamwil Muhammadiyah (BTM) Mulia Babat is one of the sharia financial institutions in Lamongan. KSPPS BTM Mulia Babat can be the right choice for the Muslim community, especially for residents of the Babat area and its surroundings. The Director of BTM KSPPS Mulia Babat, said that the number of customers as of October 18, 2022, reached more than

6,000 (Purwanti, 2022). So, the total net assets of KSPPS BTM Mulia Babat for the 2021 season are IDR 26,104,939,842.20 - (KSPPS et al., 2021). Therefore, this study aims to determine the effect of Religiosity, service quality, and location on customer interest in choosing products at KSPPS BTM Mulia Babat.

## B. THEORITICAL RIVIEW

### 1.1 Religiosity

The term religiosity comes from the English word " religion, " which means Religion, then becomes the adjective " religious, " which means religious or pious. The degree to which a person believes in a religion and is knowledgeable about it is known as religiosity. This is demonstrated by the experience of religious values, such as observing the laws and fulfilling duties in daily life that are connected to worship with sincerity. (Jalaluddin, 2010).

Religiosity can be interpreted as how far the knowledge, how strong the belief, how much the implementation of worship and rules, and how deep the experience of the Religion that is believed. For a Muslim, Religiosity can be known from Islam's knowledge, belief, implementation, and experience (Nashori & Mucharam, 2002). Religiosity is a level at which a person can commit or be loyal to his Religion. In general, it is known that Religion can have a powerful influence on a person (Lubis, 2018).

### 1.2 Quality of service

Quality is related to the condition of a product, service, human, process, and environment that can fulfill the desires and needs that create customer satisfaction because it is by their expectations (Sangadji & Sopiah, 2013). According to Kotler (2002), service is any action or deed that can be offered by one party to another party that is intangible (not physically tangible) and does not result in ownership of something (Kotler & Armstrong, 2002). The definition of service quality focuses on efforts to fulfill customer needs and desires and the accuracy of its delivery to match customer expectations (Rahmanto, 2016).

### 1.3 Location

Location is one factor that influences customer interest in using Islamic banking services; the more strategically the location of a bank, the easier it is for customers to transact and relate to the bank (Siregar, 2016). The location of a bank is a place or several places where parties need and offer banking products; besides that, it is also a place for the control center of banking activities. (Kurniadi, 2020). Determining the location is a policy that must be taken carefully. Institutions must be built in strategic places close to customers, easy to reach (accessibility), and close to labor providers (Muslim, 2020).

### 1.4 Baitul Tamwil Muhamamdiyah (BTM)

Baitul tamwil features a meaning taken from two syllables, specifically Snare, which implies building or house, and At-Tamwil implies riches improvement, so Baitul tamwil is an institution that carries out beneficial riches improvement exercises and speculations in making strides the welfare of micro-entrepreneurs through financing and sparing exercises (Novianti, 2019). Baitul Tamwil Muhammadiyah (BTM) could be a microfinance institution based on Sharia standards. Sharia standards cruel that all monetary exchanges are carried out with contracts agreeing to Islamic law (Herman, 2021).

BTM was built by taking the essential concept of Baitul Maal Wat-Tamwil, which may be a combination of Baitul Tamwil, a unit that carries out commercial financing, and Baitul Maal, a unit that carries out non-commercial-social financing with reserves sourced from zakat, infak, and sadaqah stores. (Herman, 2021). In BTM, the social division is disposed of since Muhammadiyah as of now contains a zakat collection institution. Be that as it may, the working instrument of BTM with the Muhammadiyah zakat collection institution can be synergized (Herman, 2021).

## C. METHOD

### 1.1 METHODS

This study is classified as quantitative research. It relies on primary data, specifically primary data supplemented by literature from books, journals, and articles, to develop the questionnaires and discuss the findings of the research. Primary data was collected through questionnaires that were distributed to customers of KSPPS BTM Mulia Babat.

Data gathering through surveys was conducted online using Google Forms. The items included in the questionnaire for this research were adapted from several relevant prior studies. The constructs were modified to accurately reflect the variables examined in the research. A 5-point Likert scale, with values ranging from 1 (Strongly Disagree) to 5 (Strongly Agree), was employed as the framework for the questionnaire items. The specific questions utilized in this research survey can be found at the end of the article.

The method of sampling employed is purposive sampling, where respondents are customers of KSPPS BTM Mulia Babat. Sugiyono (2018) stated that if the study is analyzed with multivariate (correlation

or multiple regression), then the number of sample members is at least 10 times the number of variables studied (Sugiyono, 2018). The study included a total of 59 participants who satisfied the criteria for respondents. The data were examined through the use of multiple linear regression. This method is a modeling equation that illustrates the connection between a singular dependent variable (Y) and multiple independent variables (X1, X2,...Xn) (Yuliara, 2016). The objective of the multiple linear regression analysis is to forecast the value of the dependent variable or response (Y) based on the known values of the independent variables or predictors (X1, X2,..., Xn) (Yuliara, 2016). Moreover, it is important to identify the nature of the relationship between the dependent variable and its independent variables. (Yuliara, 2016).

## 1.2 RESEARCH MODEL

In general, this research model can be seen in the following figure:

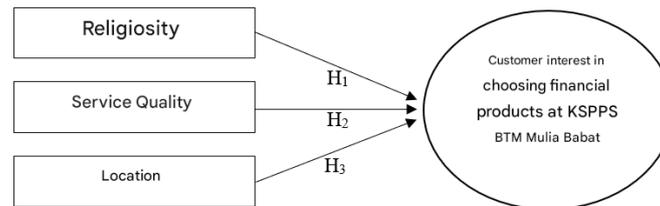


Figure 1. Research Model

This study proposes three hypotheses:

H<sub>1</sub> : The influence of Religiosity on customer interest in choosing financial products

H<sub>2</sub> : The influence of service quality on customer interest in choosing financial products

H<sub>3</sub> : The influence of location on customer interest in choosing financial products

The multiple linear regression equation is systematically expressed as:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Where:

Y : Customer interest in choosing financial products at KSPSS BTM Mulia Babat

a : Constant

x<sub>1</sub> : Religiosity

x<sub>2</sub> : Quality Of Service

x<sub>3</sub> : Location

e : Error

## D. RESULTS

The results of the regression test show that the significance value of the t-test is 0.608 > 0.050. This result is in line with the research conducted by Wijanarko and Rachmawati (2020), which states that Religiosity does not significantly affect customers' interest in choosing financial products at KSPSS BTM Mulia Babat. From the research conducted, it was found that when choosing financial products at KSPSS BTM Mulia Babat, customers look more at the quality of employee service at that place.

The results of the regression test show that the significance value of the t-test is 0.00 < 0.050. This result aligns with the research conducted by Rahmanto (2016), which states that service quality affects customers' choice of financial products. Service quality focuses on fulfilling customer needs and desires and delivering accuracy to balance customer expectations (Rahmanto, 2016). Friendly and persistent employee service in helping customers when they experience difficulties is why customers use KSPSS BTM Mulia Babat financial products.

The regression test results show that the significance value of the t-test is 0.083 > 0.050. This result is in line with the results of research conducted by Kurniadi (2020), which states that location does not significantly affect customer interest in choosing financial products. Customers do not choose Islamic financial products based on the location of their financial institutions because other factors influence customer interest in choosing Islamic financial products, such as the Religiosity of the product or financial institution.

The results of the regression test show that the significant value of the F test is  $0.0000 < 0.05$ , so it can be concluded that the variables of Religiosity, service quality, and location together (simultaneously) influence customer interest in choosing financial products at KSPPS BTM Mulia Babat.

## E. CONSLUCION

### 1.1 CONCLUSION

Based on the research results, it can be concluded that:

1. Religiosity does not significantly affect customer interest in choosing financial products at KSPPS BTM Mulia Babat. When choosing financial products at KSPPS BTM Mulia Babat, customers look more closely at employee service quality.
2. Service quality has a significant effect on customer interest in choosing financial products at KSPPS BTM Mulia Babat. Friendly and persistent employee service in helping customers when they experience difficulties is why customers use KSPPS BTM Mulia Babat financial products.
3. Location does not significantly affect customer interest in choosing financial products at KSPPS BTM Mulia Babat. Customers do not choose Sharia financial products based on the location of their financial institutions because other factors, such as the quality of service from the financial institution, influence their interest.

### 1.2 RECOMMENDATION

Based on the results, author suggest recommendations:

1. Islamic financial institutions continue to evaluate the quality of service to attract more customers to use financial products at these institutions.
2. Further researchers conduct further research related to factors that influence customer interest in choosing Islamic financial products, using service quality and location variables as well as variables outside this research to find other factors that influence customer interest in choosing Islamic financial products.
3. It is hoped that the community can gain new insights and consider them when choosing financial products so that they can use products that are truly according to Islamic law.

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