Islamic Service Quality and Customer Satisfaction on Islamic Microfinance in Bank Syariah Indonesia

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Abstract. One of the Islamic banks in Indonesia is Bank Syariah Indonesia (BSI), which has products that can help overcome problems related to the lack of business capital for MSMEs. This study examines service quality and its effect on customer satisfaction in Islamic microfinance. Service quality in Islam, namely the CARTER model, is seen from several variables: compliance, assurance, reliability, tangibles, empathy, and responsiveness provided by Islamic banks. This study intends to determine the level of compliance, level of assurance, level of reliability, level of tangibles, level of empathy, and level of responsiveness to customer satisfaction. In this study, the method used was quantitative with descriptive causality research design. The analytical tool used is Partial Least Square-Structural Equation Modeling (PLS-SEM) with the SmartPLS application. Respondents of this study were BSI microfinance customers in West Java, with a total of 205 respondents. The research results on descriptive analysis show that compliance and tangibles variables are in the very high category, while the assurance, reliability, empathy, and responsiveness variables are in the high category. The results showed that compliance, assurance, reliability, tangibles, empathy, and responsiveness positively and significantly affected BSI microfinance customer satisfaction. This research implies that it can be a consideration, knowledge, and valuable information for stakeholders involved in the Islamic banking sector to develop microfinance in Islamic banks better.

Keywords: Customer Satisfaction, Islamic Service Quality, CARTER Model, Microfinance.

1 Introduction

The SWOT analysis of Islamic banking in the Indonesian Sharia Economic Masterplan revealed that in the aspect of output (financing), the development of MSMEs can be used as an opportunity. However, there is a threat to the strong existence of conventional banks to attract large-scale consumers [1]. The Retail segment is BSI's most dominant business line, accounting for 72% of outstanding financing disbursed [2]. The total financing disbursed in the BSI retail segment consists of the SME, Micro, and Consumer segments. However, of all the segments in the retail segment, the micro-

segment has the lowest amount compared to other segments. Although in 2022, there was an increase in the amount of financing from 2021, the micro-segment contributed 12.85% of the total financing in the retail segment [3].

In the results of the recapitulation of directions and recommendations from the BSI Board of Commissioners in 2022 related to financing, it is noted that the expansion of wholesale financing, the development of products and transactional services, and the growth of MSME financing are contributing to the progress of these MSMEs [2]. However, in Indonesia, the development of customer trust in Islamic banking is a crucial area that still needs attention. Research suggests that customer trust in Indonesian Islamic banks will increase significantly if these banks can first increase customer satisfaction [3]. Consumer behavior involves services and ideas from products. The right combination of marketing mix is when producers meet consumer expectations by knowing performance, service, price, and information that provides superior value to consumers [4]. Service quality reflects the evaluative customers' perceptions of the services received, and quality is determined based on the level of importance of the dimensions of the service [5]. Quality is the overall product characteristic that can provide satisfaction to consumers directly or indirectly [6].
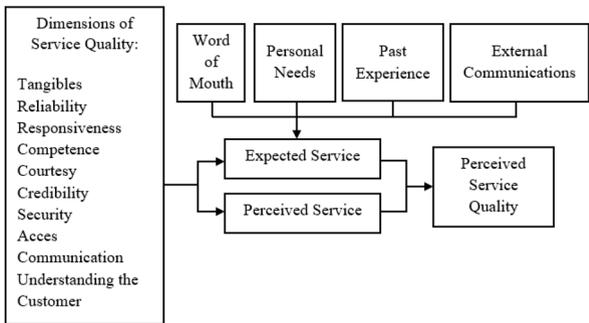

Fig. 1. Customer Assessment of Service Quality Model

Figure 1 shows the consumer assessment model through service quality. Ten dimensions exist in service quality to arrive at the stage of service perceived by customers. Service quality is a concept derived from consumer comparisons between products or services and the actual performance of services consumers perceive [5]. According to Parasuraman A. et al.Five dimensions are formed from all ten dimensions consisting of three original dimensions and two combined dimensions, namely tangibles, reliability, responsiveness, assurance, and empathy. The two combined dimensions comprised seven original dimensions, namely communicative, credibility, security, competence, courtesy, understanding/knowing customers, and access [7]. The CARTER model appeared because the SERVQUAL model proposed by Parasuraman A. et al. does not measure the level of cultural aspects related to religiosity. The difference between the SERVQUAL model and the CARTER model is the addition of the compliance dimen-

sion, which can explain the extent to which Islamic banking conducts its business following Islamic principles, both in terms of the products and services provided [8]. According to Othman & Owen, six dimensions link service quality and customer satisfaction in Islamic banks. These six dimensions are called the CARTER model (Compliance, Assurance, Reliability, Tangible, Empathy, and Responsiveness). The basis of this model is the SERVQUAL model, which has five dimensions. The development of the CARTER model is in the compliance dimension, known as Sharia compliance[9].

The CARTER model appeared in research in Kuwait [9], but many countries have also applied this model to measure the quality of Islamic banking services, namely Bangladesh [10,11], Tanzania [12], Pakistan [13,14], Egypt [15], Tunisia [16], South Africa [17], and Indonesia [18-22].

Compliance. Compliance is the ability to conduct business following Islamic principles by conducting profit-sharing system transactions and not implementing an interest rate system [9]. According to Khaliq, compliance has indicators, namely banks carry out banking operations according to Sharia principles, provide profit-sharing investment products according to Sharia, and do not give or take interest from customers [14].

Assurance. Assurance is the knowledge and courtesy of employees and the ability to provide trust and confidence in consumers, including verbal and written communication between bank staff and customers [9]. According to Abdel et al., assurance is measured by the ease of accessing account information, the ability of employees to provide financial advice, employees' behavior, and their sufficient knowledge about instruments in Islamic banking [16].

Reliability. Reliability is the ability to perform the promised service reliably and accurately [7]. Then, according to Othman & Owen, reliability is the ability to perform the promised service, dependability, and accuracy [26]. According to Khaliq, the reliability indicators are the services provided by bank staff that comfort customers, safe bank service facilities, and complete bank products that meet customer needs [14].

Tangibles. Tangibles are the appearance of physical facilities, equipment, personal and communication materials [9]. Tangibles consist of the appearance of physical facilities, equipment, human resources, and communication materials [7]. According to Othman & Owen, there are several indicators of tangibles, namely, the number of branch offices open at the Bank, the physical appearance of the bank building, speed, and efficiency in transactions, opening hours of operation, and counter partitions at the Bank and its branches [26].

Empathy. Empathy is the individual care and attention that Islamic banks give their customers [9]. In empathy, employees provide care and attention to customers [16]. According to Khaliq, empathy can use several indicators, namely, maintaining customer confidentiality, bank locations that are easy and affordable for customers, and affordable service fees [14].

Responsiveness. Responsiveness is the willingness to help customers and provide fast service [7]. According to Othman & Owen, responsiveness can be measured by several indicators, namely, knowledge of the business or willingness to help, being able to meet needs, how employees treat customers, availability of credit with requirements, having branch offices, and fast and efficient counter services [26].

Customer Satisfaction. According to Kotler et al., Abraham Maslow's motivation theory suggests that self-actualization is the highest hierarchy of needs [27]. This need indicates that the motivation in consumers will provide behavioral results aimed at achieving satisfaction goals. Then, according to Parasuraman A. et al., customer satisfaction is a comparison between expectations and perceptions of the performance they receive [28]. According to Othman & Owen, satisfaction indicators consist of overall satisfaction with the services provided, customers' satisfaction with the direct relationship with employees, and the quality of service offered [26].

2   Methods

The method used in this study is quantitative research. The quantitative approach begins with developing a hypothesis to be tested quantitatively to produce a new thesis [29]. Quantitative research methods aim to test specific theories by researching relationships between variables [30]. The sample is part of the population and consists of several members who form a representative sample [29]. There are several sampling procedures, namely researchers identifying the target population, selecting the sampling frame, determining the sample selection method, planning the sample unit selection procedure, determining the sample size, determining the sample unit, and conducting research in the field[31]. The sampling method in this study is non-probability sampling using purposive sampling.

Nonprobability sampling techniques are used when the exact size of the population is unknown. In these techniques, elements in the population do not have a known probability of being included in the sample chosen by the researcher [32]. This study uses non-probability sampling techniques because the exact population size is uncertain. However, the author's understanding of certain target groups assures that they possess the necessary information to meet the criteria set by the author.

This research chose the method of distributing questionnaires to respondents. It used the Google Form platform for respondents to fill out questionnaires that will be distributed through social media and assistance from BSI employees who work in the microfinance division with coverage of the West Java area. The scale used in this study is a semantic differential scale. The semantic differential scale is used to assess the attitude of respondents toward particular objects; often, this scale is treated as an interval scale [32].

3   Results and Discussion

This test is carried out to ensure no issues related to reliability measurement. Internal Consistency Reliability is evaluated through Cronbach's alpha (Cα) and composite Reliability (CR) statistics. The measurement model is considered reliable to measure the latent variable if the Cα and CR values are not less than 0.60 or 0.70[33]. The following are the results of testing the reliability of the constructs in this study:

Table. 1. Internal Consistency Reliability

	Cronbach's Alpha	*Composite Reliability*
Customer Satisfaction	0.865	0.917
Compliance	0.833	0.900
Assurance	0.842	0.894
Reliability	0.834	0.900
Tangibles	0.851	0.900
Empathy	0.787	0.875
Responsiveness	0.854	0.911

Based on Table 1, it can be seen that the Cα and CR values of each latent variable have a value of more than 0.70. So, it can be concluded that all latent variables in this study can be reliable, and the model made has good reliability. Furthermore, it discusses hypothesis testing on each relationship path through t-statistic analysis and probability value (p-value) and relates to the results of previous research. The following data processing results show the t-statistic value and probability value (p-value) in this research model through the path coefficients section:

Table. 2. Path Coefficient

	Original Sample (O)	*T Statistics* (|O/STDEV|)	*P Values*
Compliance -> Customer Satisfaction	0.091	1.787	0.037
Assurance -> Customer Satisfaction	0.102	1.669	0.048
Reliability -> Customer Satisfaction	0.189	2.704	0.004

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values
Tangibles -> Customer Satisfaction	0.234	3.193	**0.000**
Empathy -> Customer Satisfaction	0.113	1.865	**0.031**
Responsiveness -> Customer Satisfaction	0.300	4.821	**0.000**

Table 2 shows the results of the path coefficients output. It can be seen that the compliance level variable has a positive test direction, as seen from the original sample value of 0.091. Then, the t-statistic value of the compliance level variable is 1.787 (> 1.645), and the p-values are 0.037 (<0.05), which means significant. The results of this study are supported by research conducted by Amiruddin K et al., De Bruin et al., Haque et al., Janahi & Al Mubarak, Khaliq, Moosa, Özkan et al., Zouari, Ahmed et al., Asnawi et al., [10,11,14,16,18,21,40–43]. Furthermore, the assurance level variable has a positive test direction, as seen from the original sample value of 0.102. Then, the t-statistic value of the assurance level variable is 1.669 (> 1.645), and the p-values are 0.048 (<0.05), which means significant. The results of this study are supported by research conducted by Amiruddin K et al., De Bruin et al., Haque et al., Jawaid et al., Khaliq, Moosa, Özkan et al., Zouari, Abdel et al [11, 13, 14, 16, 18, 40, 42, 43].

The reliability level variable has a positive test direction, as seen from the original sample value of 0.189. Then the t-statistic value of the reliability level variable is 2.704 (> 1.645), and the p-values are 0.004 (<0.05), which means significant. The results of this study are also supported by research conducted by Amiruddin K et al., De Bruin et al., Haque et al., Jawaid et al., Khaliq, Moosa, Özkan et al., Zouari, Ahmed et al., Abdel et al., Fauzi & Suryani [11, 13, 14, 16, 18, 40, 42, 43].

The tangibles level variable has a positive test direction, as seen from the original sample value of 0.234. Then the t-statistic value of the variable level of tangibles (a form of facilities) is 3.193 (> 1.645), and the p-values are 0.000 (<0.05), which means significant. The results of this study are supported by research conducted by Amiruddin K et al., De Bruin et al., Haque et al., Jawaid et al., Khaliq, Moosa, Özkan et al., Ahmed et al., Abdel et al [10, 11, 13, 14, 16, 18, 40, 42, 43].

The empathy level variable has a positive test direction, as seen from the original sample value of 0.113. Then the t-statistic value of the empathy level variable is 1.865 (> 1.645), and the p-values are 0.031 (<0.05), which means significant. The results of this study are supported by research conducted by Amiruddin K et al., De Bruin et al., Haque et al., Jawaid et al., Khaliq, Moosa, Özkan et al., Ahmed et al., Abdel et al. [11, 13, 14, 16, 18, 40, 42, 43].

The responsiveness level variable has a positive test direction, as seen from the original sample value of 0.300. Then, the t-statistic value of the empathy level variable is 4.821 (> 1.645), and the p-values are 0.000 (<0.05), which means significant. The results of this study are supported by research conducted by Amiruddin K et al., De Bruin et al., Haque et al., Jawaid et al., Khaliq, Moosa, Özkan et al., Zouari, Ahmed et al. [11, 13, 14, 16, 18, 40, 42, 43].

The level of compliance has a positive and significant influence on the satisfaction of BSI microfinance customers in West Java. Respondents realize that Islamic banks' business practices, which follow Sharia principles, influence customer satisfaction while receiving financing from BSI.

The level of assurance has a positive and significant influence on the satisfaction of BSI microfinance customers in West Java. Respondents feel assured that the guaranteed BSI provides influences customer satisfaction while receiving financing from BSI.

The level of reliability has a positive and significant influence on the satisfaction of BSI microfinance customers in West Java. Respondents feel that accurate service capabilities influence customer satisfaction while receiving financing from BSI.

The level of tangibles has a positive and significant influence on the satisfaction of BSI microfinance customers in West Java. Respondents feel that the form of facilities provided by BSI influences customer satisfaction while receiving financing from BSI.

The level of empathy positively and significantly influences the satisfaction of BSI microfinance customers in West Java. Respondents feel that the relationships built by the BSI influence customer satisfaction while receiving financing from BSI.

The level of responsiveness has a positive and significant influence on the satisfaction of BSI microfinance customers in West Java. Respondents feel that the speed of service BSI provides influences customer satisfaction while receiving financing at BSI.

The findings in this study are associated with theoretical concepts and supported by the empirical results of previous research, namely the positive and significant effect on customer satisfaction. Thus, this study's results follow and support several previous studies. In the descriptive analysis, the research results show that the compliance and tangibles variables are in a very high category, while the assurance, reliability, empathy, and responsiveness variables are in the high category.

4   Conclusion

The research results on descriptive analysis show that compliance and tangibles variables are in the very high category, while the assurance, reliability, empathy, and responsiveness variables are in the high category. The results showed that compliance, assurance, reliability, tangibles, empathy, and responsiveness positively and significantly affected BSI microfinance customer satisfaction. This research implies that it can be a

consideration, knowledge, and valuable information for stakeholders involved in the Islamic banking sector to develop microfinance in Islamic banks for better conditions.

BSI stakeholders, especially in microfinance, are expected to provide services that can help customers through facilities and how employees treat customers to maintain and strengthen customer relationships. Then, regular measurements and evaluations related to customer satisfaction will be conducted. In this study, the theory used is SERVQUAL, which has five service quality dimensions. In addition, there are service quality theories with various dimensions, such as SERPERV, Gronroos Model, and TQM Model, which can be a variable to see its effect on customer satisfaction and can be adapted as a research variable.

5   Acknowledgement

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