

CHAPTER I

INTRODUCTION

A. Background

Shariah Financial Institutions (SFIs) in Indonesia are experiencing rapid growth and development. In a relatively short period, Shariah Financial Institutions (SFIs) have faced sharply increasing competition, prompting every Islamic banking industry to pay great attention to transaction activities and operations in order to compete and face challenges from other financial institutions. As a financial institution operating in an increasingly complex economic environment, Islamic banks or *Baitul Maal wat Tamwil* (BMT) have their uniqueness with the principles of Islamic finance that underlie their operations (Riad, 2020).

The first Sharia Bank was established in Indonesia in 1991 by a private entity under the name Bank Muammalat. Slowly, bank Sharia has been able to meet the needs of the people who want banking services in accordance with religious Sharia principles. The Islam he adheres to, especially regarding prohibitions against the practice of usury, non-productive speculative activities that are akin to gambling, obscenity, and trespassing, the principle of fairness in transactions, as well as the necessity of distribution financing and investment in ethical and halal business activities according to Sharia. After that, many Sharia banks emerged in the form of Sharia commercial banks and Sharia business units, which were incorporated into conventional banks. As a country that adheres to a dual banking system, where conventional banks and Islamic banks operate simultaneously (Yumanita, 2005).

The trend and development of Islamic banking need special attention in its development as an alternative to Islamic banking. The measurement of the level of customer satisfaction in Islamic banking is deemed necessary because the characteristics of Islamic banking are different from those of conventional banking. In Sharia banking operations, there is a system of profit-sharing principles that can benefit the community and the bank, as well as highlight various aspects of fairness in transactions, ethical investment, and promoting shared values in financial transactions. In contrast to conventional banks, which prioritize aspects of profit (Sitinjak et al., 2015).

In terms of bank functions as quoted from Law Number 10 of 1998 concerning banking, there are three main aspects regarding the functions of banks, namely collecting public funds through deposit products, channeling funds to the public through credit facilities, and providing banking services, such as transfers, payment of electricity, telephone, and purchase of transportation tickets. Bank operational activities generally include collecting funds, providing credit, transferring funds, storing goods and securities, and placing funds in the form of securities (Shely, 2023).

One of the Sharia microfinance entities in Indonesia is *Baitul Maal Wat Tamwil* (BMT), which is a microfinance institution that carries out processes based on Sharia principles and has legal status as a cooperative based on the Decree of the State Minister of Cooperatives and Small and Medium Enterprises No.91/Kep/M.KUKM/IX/2004 concerning Guidelines for the Implementation of Sharia Financial Services Cooperative Business Activities (Patricia, 2021). From the

various functions of the Sharia institutions above, an important aspect that must be considered is customer satisfaction. Customer satisfaction is essential to build a more advanced business and increase company profits. To see how good a company's product or service satisfaction can be measured through customer satisfaction. It is one of the most important indicators related to purchases and can help predict business growth and revenue (Kurnia, 2022).

Customer satisfaction serves as an important factor influencing consumers decisions to engage with a particular bank. When consumers experience satisfaction with the services offered by a bank, they are more likely to become repeat customers. Meanwhile, according to Kotler & Armstrong (2018), in the context of banking services, various aspects shape consumer decisions, one of which is the attributes attached to the bank's operations.

Mokhlis (2009) states that Muslim consumers have unique characteristics when they decide to buy something. They always consider their religious doctrine, namely Islam. In addition, religious commitment is recognized as one of the essential ways in which cultures influence consumer behavior (Ied, 2013; Zamani-Farahani & Henderson, 2010; Zamani-Farahani & Moses, 2012). Rehman and Shahbaz Shabbir (2010) reported that religious commitment influences new product adoption by Muslim consumers through their beliefs about what products they should adopt. Religious commitment also has a significant role in influencing consumer and social behavior (Khraim, 2010) and (Mukhtar, 2012). In addition, research by Youssef et al. (2015) on Islamic banking in Egypt states that religious commitment affects the

attitudes of Islamic banking consumers in Egypt. Religious commitment also moderates the effect of perceived value on customer satisfaction (Eid & El-Gohary, 2015). In addition, Souiden (2015) stated that religious commitment has an indirect effect on Islamic banking purchase intention through attitude towards banks. However, Farraq & Hassan (2015) found different results from some previous studies that show a negative relationship between religious commitment and the attitude of Egyptian teenagers in determining fashion trends. The results of previous studies show that there are differences in these results, especially religiosity and its effect on customer satisfaction. According to Sobari et al. (2022), religious commitment has a significant positive role in strengthening the influence of variable products and services based on Islamic principles on customer satisfaction. Services with an approach based on religious teachings have attributes that emphasize the importance of quality and compatibility with ethical principles, even though they have yet to receive an official halal label or certificate. The findings of this study make a new contribution by showing how religious commitment can amplify the influence of Islamic attributes on customer satisfaction in the context of services. It suggests that a customer's religious commitment can play an essential role in determining how they respond to the Islamic attributes of a business.

In research Mirza (2021) According to research by Mirza (2021), product attributes and service attributes are important in the outcome of repurchase intentions and customer satisfaction. The industry is becoming more frequent and more focused on brand development, thus becoming more developed and greatly influencing

international markets around the world. The findings suggest that this time will enable marketers to realize the value of product and service attributes, as well as crib various customer factors, customer characteristics, and satisfaction, and impact repurchase intent to ensure continuity among existing customers.

According to (Tjiptono, 2021) attributes are product elements that are considered necessary by consumers and are used as the basis for purchasing decisions when buying products, such as price, quality, completeness of functions (features), design, after-sales service, and others. From the various definitions above, it can be concluded that a product has attributes that function as differentiators, and its characteristics consist of features, quality, price, packaging, brand, warranty, and service that are considered necessary by consumers and are made that consumer considerations in making decisions in purchasing. (Setiawan & Panduwangi, 2021) Scientists from various countries, such as Malaysia, Pakistan, Iran, Bangladesh, Bahrain, and India, have shown interest in studying the attributes used by consumers as their top preference in choosing Islamic banks.

Customer perception in ranking the level of importance of service attributes as one of the factors which influences satisfaction (Gustafsson and Johnson, 2004). Study in Malaysia, Rahman (2014) underlines that Islamic attributes and service quality are the main factors that influence satisfaction Muslim tourists and ultimately influence their loyalty. Bazazo et al. (2017) confirmed the same by emphasizing the importance of attributes related to halal goods and services provided for Muslim tourists. Research on the importance of the attribute approach has also been carried out has been carried

out in the banking sector (Usman, 2015), shops and shopping centers (Fauzi et al., 2013; Hashim et al., 2014) and hospitality (Ali and Omar, 2014; Putra et al., 2016).

Another study conducted by (Antonides & Hovestadt, 2021) said that evaluability theory assumes that the performance of perceived attributes has a more significant influence on consumer satisfaction. These attributes are more accessible to evaluate than attributes that are difficult to evaluate after product acquisition. The research analysis then used the predictions of asymmetric profit evaluation (product performance is better than expected) and loss (product performance worse than expected) from prospect theory, combined with evaluability theory. The results found that attributes had a more significant effect on satisfaction than the disconfirmation of positive attributes, which is in line with loss aversion theory. Although the performance of perceived product attributes affected satisfaction positively, the results of the study found little support for the perceived attribute effect of performance influenced by attribute evaluability.

According to Scott (2016) Islamic attributes are a series of facilities and services that are permitted according to Islamic law for Muslim customers to enjoy when using a product or service. Meanwhile, according to Battour and Ismail (2015) indicators of Islamic attributes include facilities in the form of the Al-Quran, qibla direction, prayer mat, prayer times, Muslim friendly staff, women-only floor/family-only floor, prayer room. In a general context, Macdaniel and Burnett (1990) summarized the results of their research that the evaluation of the level of importance of store attributes by consumers is significantly influenced by consumer religiosity. In the context of

Muslim consumers, the importance of the influence of Islamic attributes on Muslim consumer satisfaction proven to be stronger when the consumer religiosity factor is considered moderate variables in research in the tourism sector conducted by Eid and El-Gohary (2015). In their research, Islamic attributes are divided into two, namely physical and non-physical attributes.

Putra et al. (2016) replicated Eid and El-Gohary's (2015) research in context Muslim tourists in Indonesia who have been or are currently visiting Lombok Island, Indonesia. The results of Islamic physical and non-physical attributes do not have a significant effect on consumer satisfaction. However, Islamic non-physical attributes influence tourist satisfaction after the religiosity factor as a moderating variable taken into account in the research model. In another study, Yaakop et al. (2017) found that the attributes of Islamic tourist destinations were positively correlated tourist satisfaction. Islamic attributes that are considered independent the variables are the availability of places for prayer, prohibitions on carrying out immoral activities and use of the Muslim dress code.

One bank that uses Islamic product attributes and religious commitments, especially in terms of service in meeting the needs of its customers, is *Baitul Maal Wat Tamwil* (BMT). Bank BMT is a microfinance institution that operates based on Sharia principles and has an essential role in the Indonesian economy, especially in providing financial access to low-income people. BMT has the characteristics of being a financial institution based on the Islamic economy. It makes BMT an attractive choice for the majority of Indonesian Muslims. The Islamic economic system implemented

by BMT ensures that all transactions and business activities take place in accordance with recognized sharia principles. For example, BMT does not enforce usury in its operations and economic practices that are considered unfairly detrimental to others. Thus, BMT provides financial solutions that are in accordance with the religious beliefs and values of the Indonesian people (Tanjung & Novizas, 2021).

As explained in the Quranic verse:

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَٰلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ
مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَى فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ
قَالَ لِيكُ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ

It means: "Those who eat usury cannot stand except as the establishment of the devil because of the madness. Their condition is because they say, indeed, the sale and purchase is the same as usury, while Allah has legalized the sale and purchase and prohibited usury. Those who have come to him the prohibition of his Lord, then stop usury, so for him what he has taken. and his affairs to Allah. Those who return, they are the inhabitants of the Fire; they remain in it" (QS. Al-Baqarah: 275)

Research on how Islamic attributes affect customer satisfaction and loyalty in the context of Bank BMT still needs to be completed. In addition, previous research has shown that religious commitment can influence consumer behavior and satisfaction with products and services. However, there have been few studies exploring how religious commitment moderates the relationship between Islamic attributes and customer satisfaction in the context of BMT Bank. Therefore, there is a need for further research in this area. This study aims to fill this gap by analyzing how

the Islamic attributes of Bank BMT affect customer satisfaction. Islamic attributes considered in this study include the availability of halal products and services, Islamic bank atmosphere, implementation of Islamic values, humanistic values, and Islamic operational procedures.

Based on the explanation of the background and some of the phenomena that occur, the author is interested in conducting an analysis entitled “**The Moderating Effect of Religious Commitment on the Effect of Islamic Attributes on Customer Satisfaction (Empirical Study of Bank BMT Beringharjo Customers).**” This research will use a quantitative approach that allows for measuring the relationships and influences between the variables under study, as well as conducting in-depth statistical analysis to identify patterns and trends that may be difficult to identify with a qualitative approach. This research is expected to make an essential contribution to guiding operational developments at Bank BMT Beringharjo and other Islamic financial institutions. In addition, this research is expected to provide valuable insights for practitioners and academics in understanding the integration of religious values in the context of operational management and its impact on customer satisfaction.

B. Research Question

Based on the background of the above problems, the formulation of the problem in this study is:

1. Does Islamic Physical Attributes have a positively and significantly on Customer Satisfaction?

2. Does Islamic Non-physical Attributes have a positively and significantly on Customer Satisfaction?
3. Does Religious Commitment moderate the relationship between Islamic Physical Attributes on Customer Satisfaction?
4. Does Religious Commitment moderate the relationship between Islamic Non-physical Attributes on Customer Satisfaction?

C. Research Objectives

Based on the formulation of the problem described above, the objectives of the study are:

1. To analyze the effect of Islamic Physical Attributes on Customer Satisfaction.
2. To analyze the effect of Islamic Non-physical Attributes on Customer Satisfaction.
3. To analyze the moderation effect of Religious Commitment on the relationship between Islamic Physical Attributes on Customer Satisfaction.
4. To analyze the moderation effect of Religious Commitment on the relationship between Islamic Non-physical Attributes on Customer Satisfaction.

D. Research Benefits

1. Academic Benefits
 - a. For academics, researchers hope that the results of the research add knowledge, literature, and information related to the Islamic Attributes and Religious Commitment on Customer Satisfaction.

- b. The results of this study can be a reference for future researchers who want to examine the influence of Islamic Attributes and Religious Commitment on Customer Satisfaction.

2. Practical Benefits

- a. For the Community: This study provides a better understanding to the public of how the Islamic attributes of Bank BMT affect their satisfaction and as customers. It also shows how their religious commitments can affect these relationships, which can help them in making better decisions about the banking products and services they use.
- b. For Bank BMT: This research provides valuable insights into how BMT can improve its customer satisfaction. By understanding how Islamic Attributes and Religious Commitments affect Customer Satisfaction, Bank BMT can design and implement more effective strategies to attract and retain customers. In addition, this research can also assist BMT Bank in identifying areas where they can make improvements for operations that better meet customer needs and preferences.