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IMPROVING THE QUALITY OF SERVICES IN SHARIA BANKS USING THE SERVICE QUALITY (SERVQUAL) METHOD AND DIGITIZATION DIMENSIONS

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Abstract.

The current digitization of the banking sector continues to experience massive and innovative developments because to be able to compete with other competitors, a bank is required to have an advantage with the technology used in addition to efficiency, digital services can make it easier for customers to transact and become more flexible. The purpose of this study is to determine the dimensions and attributes used to measure the quality of service at Bank Syariah Indonesia (BSI) Branch Office (BO) Banjar, and how the quality of service at BSI is. The 5 attributes that have the biggest gap are no loan interest, vehicle parking facilities, no savings interest, pleasant service (fast service time) and the management team has extensive knowledge. Investing in digitization in banks is the right decision in the 21st century. However, as a bank that has specific principles in its activities, it is necessary to develop compliance.

Keywords: Quality, SERVQUAL, IPA, Digitization

Introduction

The era of globalization presents a new reality marked by a borderless market, a revolution in communication technology, a revolution in information technology, and consumer discrimination against products and services. [1] To face competition, fellow companies of the same type must have a competitive advantage. Increasingly fierce business competition, companies must be able to overcome or anticipate threats from competitors who come, cover up mistakes and take advantage of opportunities with existing strengths, to improve service to customers, so that customers feel satisfied. The goal of a company is Profit Maximization. To get a profit the company must have many loyal customers, customer satisfaction affects customer loyalty which will then affect profitability.[2] Loyalty creates increased profits through increased revenue, reduced costs for finding customers, customer sensitivity to low prices, and reduced costs for serving customers who are familiar with the company's service system.[3] Sharia Bank is a company engaged in services in the banking sector. IPB University's sharia economic observer, Irfan Syauqi Beik said, the digitization of Islamic banking is currently quite developed and requires a deeper market penetration. [4] Islamic banks need to work together with campuses to make a profiling study of the current typology of society. With the results of this study, it is possible to map the community and its transaction needs. This can be the basis for developing digital banking. In addition, it is necessary to conduct a satisfaction survey on the use of existing digital banking regularly as input for the continuous improvement process.

Google play store categorizes reviews into 2 categories, the first category is positive reviews, namely ratings 4 and 5, and the second category is critical reviews, namely ratings 1, 2, and 3. Critical reviews are reviews of application users with negative and necessary complaints. there is an improvement. In total there are 19% critical reviews, and 81% positive reviews, this means that 19% of the 96,000 reviews, namely 17,971 reviews from users of the BSI Mobile banking application experienced experiences that were not in line with user expectations, in this case, BSI customers. The author assumes that digitization at Bank Syariah Indonesia needs continuous improvement because along with the times, innovation and technological developments are increasing dynamically.

After knowing the problems that occur, this study has the following objectives: a) Understanding what attributes are needed to measure the service quality of Islamic Commercial Banks. b) Analyzing

differences in customer perceptions and expectations of the quality of existing services (customer satisfaction level). The novelty of this research is using digitization for ServQual Dimension.

Materials and Methods

BANK Sharia banks are banks that carry out all their business activities using Islamic principles and sharia. The term Islamic bank which is popular in Indonesia is the same as the term Islamic bank abroad. Sharia principles are the rules of agreement based on Islamic law between banks and other parties to save funds and or finance business activities,[5]

SERVICE QUALITY (SERVQUAL). [6] summarizes into five main dimensions, The explanation of the five dimensions to assess the quality of the service is:

1. Tangibles (physical evidence) include physical facilities, equipment, employees, and communication facilities as well as operational vehicles. Thus direct evidence/form is one of the most concrete indicators.
2. Reliability (trust) is the ability to provide the promised service promptly and satisfactorily. According to Lovelock, reliability to perform the promised service dependably means doing it right, over a while. That is, reliability is the company's ability to deliver the promised service accurately and consistently.
3. Responsiveness (responsiveness) namely the responsiveness of employees in providing the services needed and being able to complete them quickly. The speed of service provided is the responsiveness of the officer in providing the required service.
4. Assurance (guarantee) includes the knowledge, abilities, courtesy, and trustworthiness of employees, free from danger, risk, and doubt.
5. Empathy (empathy) includes ease of doing relationships, good communication, and understanding of customer needs. Empathy is individualized attention to customers. Empathy is the attention that is carried out personally or individually to customers by placing themselves in the customer's situation

Osman and Owen (2001) offer the CARTER dimension to measure the quality of Islamic banking services which was developed from the SERVQUAL concept with the addition of a compliance dimension in the form of Islamic principles and laws while the other dimensions are the same as the SERVQUAL dimension, consisting of six service quality dimensions. The word CARTER stands for compliance, assurance, reliability, tangibles, empathy, and responsiveness.[7]

6. Compliance means the ability to comply with Islamic Law and operate under the principles of Islamic banking and economics.

The development of information technology has led to an evolution that leads to digital banking services (digital banking). This service aims to improve the efficiency of operational activities and the quality of bank services to its customers. For this reason, banks need to develop business strategies that lead to digital banking services.[8]

7. Digitization refers to the extent to which Islamic banks embrace digital transformation. This factor is determined by variables such as providing online services, whether the bank offers electronic payment solutions, whether the bank is active on social media, and whether the bank provides mobile banking services and applications.[9]

Importance – Performance Analysis (IPA)

Quadrant analysis or Importance Performance Analysis (IPA) is a descriptive analysis technique introduced by John A. Martilla and John C. James in 1977. Importance Performance Analysis is an analytical technique used to identify what important performance factors should be shown by an organization in meeting the satisfaction of their service users (consumers).

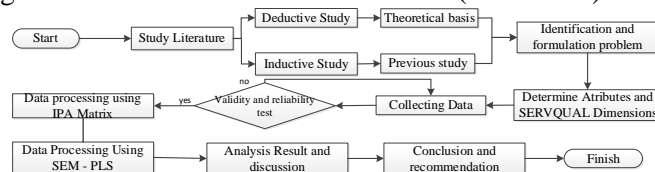


Figure 1. Flowchart Method

Data was collected using a simple random sampling method, namely providing physical questionnaires to customers who will or have made transactions at BSI. Respondents are customers of BSI who make

transactions at sub-branches. The sample is the number of respondents who are customers of BSI sub-branches. determination of the number of samples in this formula using the Cochran formula, namely

$$n = \frac{NPQ}{(N-1)D+PQ} \dots\dots\dots(1)$$

Where:

n = Minimum number of samples N = The average number of customers in a certain period
P = Proportion of respondents choosing certain questions (0.5), Q = (1-p) Proportion of respondents who did not choose a particular question (0.5) vD = Accuracy Level $\frac{B^2}{Z_{\alpha/2}}$, B = 0.05 error rate (Z_{a/2} = 1.96) ,

$$n = \frac{207*(0.5)*(1-0.5)}{(206)*\frac{0,0025}{1,96}*0,5*0,5}$$

n = 100,925 so the number of samples is 101, but we use 155 respondent, So that the sample is sufficient

Demographics Respondents Showing the Age of Respondents, there are 10% aged under 20 years as many as 16 people, 39% aged between 21 to 30 years as many as 60 people, 32% aged between 31-40 years as many as 50 people, 14% aged between 41 to 50 years as many as 8 people. This shows that the age of the respondent or customer is the millennial generation. It shows that as many as 89 people or 57% of respondents are men and the remaining 66 people or 43% are women. Male customers are more dominant than females. Shows the education level of the respondents, 6% of the SMK respondents' education level is 3 people, 29% is the SMA education level is 45 people, the D2 education level is 1% as much as 1 person, the D3 education level is 12% as many as 19 people, the S1 education level is 48% as many as 74 people, the education level of S2 is 5% as many as 7 people. shows that 12% of respondents have a work background as an entrepreneur as many as 19 people, 21% have a work background as a civil servant many as 33 people, 29% of respondents have a work background as a private employee as many as 45 people, respondents have a work background as students by 13% as many as 20 people. Respondents who have a work background as a teacher are 3% as many as 5 people, respondents who have a work background as housewives are 4%, namely 6 people, retirees are 1%, namely 1 person, BUMN employees are 2% as many as 3 people, students by 1% i.e. 2 people. There are 3% honorary employees, which are 5 people, and 1% of the POLRI, which are 2 people, the remaining 9%, which is 14 people, are others, so the total respondents are 155 people.

Results and Discussion

It shows that as many as 89 people or 57% of respondents are men and the remaining 66 people or 43% are women. Male customers are more dominant than females, Showing the Age of Respondents, there are 10% aged under 20 years as many as 16 people, 39% aged between 21 to 30 years as many as 60 people, 32% aged between 31-40 years as many as 50 people, 14% aged between 41 to 50 years as many as 8 people. This shows that the age of the respondent or customer is the millennial generation

a. Convergent Validity

After the survey is conducted, the authors need to ensure that the questionnaire is distributed to respondents and used as a service quality measurement tool can measure customer perception instruments. Construct validity consists of convergent validity and discriminant validity.

The convergent validity of the outer loading values has all been declared valid, The rule of thumb used for convergent validity is outer loading > 0.7, Commonality > 0.5, and Average Variance Extracted (AVE) > 0.5 Attributes of customer perception can be declared statistically valid. some indicators have a value below 0.7, meaning that the indicator is eliminated, and indicators that have > 0.7 indicators are declared valid and ideal in measuring the latent construct, so the research can be continued.

b. Reliability

Based on calculations using the Cronbach alpha method, the value of the expectation and perception instrument reliability test is declared reliable, which is in the range of 0.90 – 1.00. After that, the internal consistency evaluation of reliability can be seen from the results of Cronbach's alpha and composite reliability and the acceptable value of Cronbach's alpha and composite reliability is > 0.6. The last analysis is AVE, the AVE value is practical>0.5, it can be seen that there is no composite reliability value smaller than 0.7, so all variables are reliable and acceptable.

c. IPA Analysis

In Figure 2 it can be seen that the distribution of attributes is based on the value of perception and expectation, then a middle line is made using the average perception and expectation. Table 1 shows attributes that are included in IPA Graph. Quadrant 1 shows Concentrate Here in IPA Matrix. The factors located in this quadrant are considered Important and/or Expected factors by consumers but the current conditions of Perception and or Actual Performance are not yet satisfactory so the management is to allocate adequate resources to improve the performance of these various factors. Factors located in this quadrant are a priority to be improved. attributes included in Q1: 3,4,19. attribute 3 is that Islamic banks provide Islamic products and services. attribute 4 is that Islamic banks provide interest-free loan terms. attributes 19 service office locations.

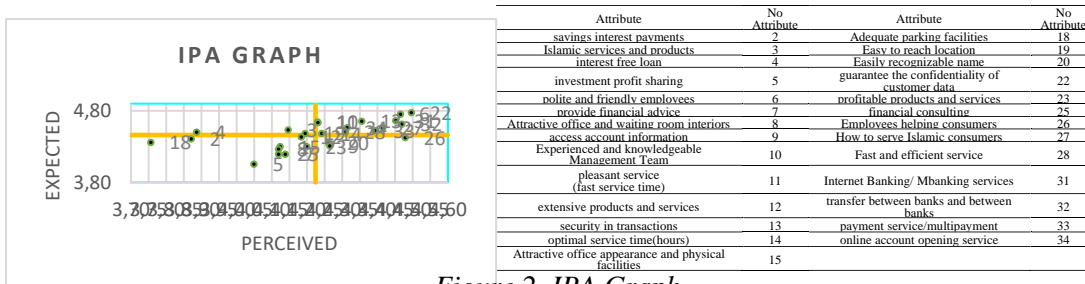


Figure 2. IPA Graph

d. Biggest Gap

Attribute ranking is based on the highest gap, if the gap value is negative then there is a gap between perceptions and expectations which means that consumer expectations have not been met, if it is 0 then the perception and expectation values are no gaps, which means consumer expectations are met, if it is positive it means Perception exceeds expectations means that consumers are satisfied. Of the 34 assessed attributes, 27 passed the validity and reliability tests, and 5 attributes that have the largest gap are :

The first attribute is that Islamic Banks should apply interest-free lending (financing) (compliance dimensions), the value of customer perceptions regarding the interest-free attributes of loans at Bank Syariah Indonesia states that they almost agree, but still cannot meet customer expectations. Interest is a fee that is commonly used in conventional banks, conventional and sharia banks using a different profit-sharing system from their customers. In Islam, the interest system includes usury which is forbidden for a Muslim, therefore Islamic banks do not use the interest system, Indonesian Islamic Banks claim that there is no interest system. The amount of profit-sharing increases according to the increase in the amount of revenue.[10]

The attribute with the second-largest gap is vehicle parking facilities (tangible dimension). BSI vehicle parking facilities, when viewed From the measurement of parking space (parking space inventory) it is indeed limited because the location of the office is on the edge of the highway, then parking facilities are also used by employees and customers. For security, parking facilities are equipped with CCTV cameras and parking attendants. Management of parking facilities includes tactical and operational decisions so that policies can be planned and implemented by branch office management, This result contradicts the research conducted by Biben, that room, and parking facilities have a 22% effect on customer satisfaction, and parking facilities have no significant effect on Customer Satisfaction (Y) PT. State Savings Bank (Persero) Tbk. Branch Office Jalan Jawa Bandung.[11]

The attribute of the third-largest gap is that Islamic banks should have no interest payments on savings (compliance dimension) having the third-largest gap. BSI claims that they do not use an interesting system but a profit-sharing system in sharing their profits. Wadiah Savings is a type of savings whose main purpose is to save funds so that customers who are wadiah savings owners will not benefit from fund management carried out by the Bank. While Mudharabah Savings is a type of savings with the main purpose of wanting to invest so that at the end of the month the customer will get additional money in the form of a bonus given by the bank.

Conclusions

This study has the following research objectives, namely what attributes and dimensions are needed to measure the service quality of Islamic banks, measuring and analyzing the differences between

customer perceptions and expectations based on dimensions and attributes (customer satisfaction level), Obtaining attributes and dimensions of service quality that affects satisfaction Indonesian Islamic Bank customers.

- a. Bank Syariah Indonesia is a Sharia Bank that should carry out the principles following Islamic law. To conduct research in Islamic banks, the authors use the CARTERD dimensions, namely Compliance, Assurance, Reliability, Tangible, Empathy, Responsiveness, and Digitization. The dimension of compliance must exist because in its activities it uses special principles,
- b. Based on the results of the discussion according to the gap ranking, the authors take 5 attributes that have the largest gap, namely Islamic Banks apply the provisions of interest-free loans, adequate vehicle parking facilities, no savings interest, and pleasant service (fast service time), the management team has extensive knowledge. Based on the IPA chart, the attributes included in quadrant 1 should receive special attention, namely, attributes 3 Islamic banks provide Islamic products and services, attributes 4 Islamic banks should provide interest-free loan provisions, and attributes 19 service office locations.

for further research, research is expected to be able to determine the attributes that are relevant to the dimensions of digitization because over time the technology will be upgraded and there will be many new technologies

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