Improving the Quality of Services in Sharia Banks Using the Servqual Method and Digitalization Dimensions

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IMPROVING THE QUALITY OF SERVICES IN SHARIA BANKS USING THE SERVQUAL METHOD AND DIGITALIZATION DIMENSIONS

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Abstract.

The current digitalization 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, a bank that has 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 BSI KCP 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. Based on the IPA graph, the attributes that fall into quadrant 1 that should receive special attention are attributes 3,4, and 19. Investing in digitalization in banks is indeed 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, SEM-PLS, 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. 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.[1]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 digitalization of Islamic banking is currently quite developed and requires a deeper market penetration. 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.[4]

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 digitalization at Bank Syariah Indonesia needs continuous improvement because along with the times, innovation and technological developments are increasing dynamic.

After knowing the problems that occur, this study has the following objectives: a) Knowing 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)

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]

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).

Results and Discussion

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 eliminated indicators or attributes are 1,16,17,21,24,29, and 30. 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. Discriminant Validity

The method used to assess discriminant validity is to compare the AVE roots for each construct with the correlation between the constructs and other constructs in the model. The model has sufficient discriminant validity if the AVE root for each construct is greater than the correlation between the constructs and other constructs in the model.[10]The convergent validity values of the outer loading values have all been declared valid, the eliminated indicators or attributes are 1,16,17,21,24,29,and 30 The value of the variable on discriminant validity in each dimension is greater than the other variables in the table column.

c. 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 Average Variance Extracted (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.

d. IPA Analysis

In Figure 1 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 show attributes that included to IPA Graph.

Concentrate Here (concentration here). 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.
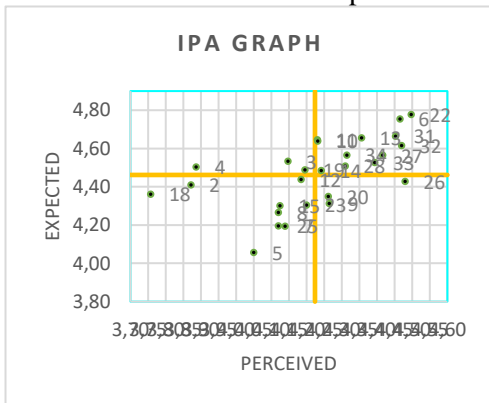
Table 1. Attributes

Figure 1. IPA Graph

Attribute	No Attribute	Attribute	No Attribute
savings interest payments	2	Adequate parking facilities	18
Islamic services and products	3	Easy to reach location	19
interest free loan	4	Easily recognizable name	20
investment profit sharing	5	guarantee the confidentiality of customer data	22
polite and friendly employees	6	profitable products and services	23
provide financial advice	7	financial consulting	25
Attractive office and waiting room interiors	8	Employees helping consumers	26
access account information	9	How to serve Islamic consumers	27
Experienced and knowledgeable Management Team	10	Fast and efficient service	28
pleasant service (fast service time)	11	Internet Banking/ Mbanking services	31
extensive products and services	12	transfer between banks and between banks	32
security in transactions	13	payment service/multipayment	33
optimal service time(hours)	14	online account opening service	34
Attractive office appearance and physical facilities	15		

e. Biggest Gap

Attribute ranking 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.[11]

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, andparking facilities have no significant effect on Customer Satisfaction (Y) PT. State Savings Bank (Persero) Tbk. Branch Office Jalan Jawa Bandung.[12]

The attribute with 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. There are two customer savings systems in Islamic banks, namely wadiah savings and mudharabah savings. 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.

The attribute with the fourth-largest gap, namely Islamic banks should provide pleasant services (fast service time) (reliability dimension). customer perceived (services that have been provided) have not been able to meet customer expectations. The ones who most often serve transactions directly are Customer Service (CS) and Tellers, The condition of the employees of BSI KCP Banjar when the research was conducted consisting of 2 Customer Service (1 BSI and 1 AXA), and 1 Teller, customers who would make transactions at CS were quite handled, but when customers were about to make transactions at the teller the queue became quite long because of 2 BSI employees, 1 employee who served as a teller took maternity leave so this had quite an impact on service performance because only 1 person served as a teller.

The attribute with the fifth largest gap is that the Islamic Bank Management Team is experienced and has extensive knowledge (assurance dimension). the perception is not yet can meet expectations, as for the management system that needs to be carried out according to[13]include Planning, Organizing, Executing, Controlling.

Conclusions

1. Conclusion

    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 Digitalization. The dimension of compliance must exist because in its activities it uses special principles, namely Islamic principles and sharia, as well as the development of an era that demands all internet, the

digitalization dimension in banking has become a must if you want to be able to compete with other competitors.

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.

c. The digitization dimension is a dimension that has a significant influence on customer satisfaction. the t-statistics value of the digitization dimension on customer satisfaction is 2.110 and the p-value is 0.035. The value of t-statistics is 2.110 > 1.96. So it can be concluded based on calculations using SmartPLS Software that the digitization dimension has a significant influence on customer satisfaction or Ho7 is rejected and Ha7 is accepted.

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