

The Mudharabah Savings Demand among the Member of Islamic Financial Service Cooperatives in Bogor

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Abstract

The Islamic Financial Service Cooperative or Baitul Maal wa Tamwil (BMT) is potential to become an effective economic driving force for micro and small businesses in Indonesia due to its ability to raise public funds. Nevertheless, BMT experiences many obstacles, one of which in marketing. It needs a better understanding of its member behavior that could predict the demand of its products and services. This research aimed to examine the members' demand on Mudharabah savings of BMT in Bogor, by using the multiple linear regression analysis. The finding shows that the service quality does not influence the members' decision to use Mudharabah savings because the services provided by BMT are below of members' expectation, thus, they need to enhance their service quality. This research sheds the light on some strategies in order to improve service quality of BMT in Indonesia.

Keywords:

*Mudharabah savings,
Islamic financial
service cooperation,
BMT*

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have increased in number in Indonesia. However, many MSMEs still face challenges accessing financing, hinder their growth and development. Loans from bank typically carry interest rates of 12% to 14% annually on commercial loans. Other requirements such as 2 years of business operations and reported cash flows and collateral requirements, limit MSMEs ability to even be considered for a loan (Bellefleur et al., 2012). Around 50% of the total MSMEs are lack of capital. 50% of their main problems is the shortage of venture capital, and then mentioned the difficulty in marketing at 24%, lack of expertise 7%, and other factors, which reached 19%. MSMEs is in dire need of financing in the framework of development efforts, but still hard to get easy access to the formal financial institutions like banks, including Islamic banks (Faisol, 2017). There are just a few banks having good attention and willingness to provide credit scheme for micro-entrepreneurs (Kholis, 2012). Therefore, micro-entrepreneurs must see another option to access financing from other microfinance institutions such as BMT. Unlike banks that have more rules, the distribution of funds or financing for micro-entrepreneurs at BMT is more flexible (Rifzan, 2018).

According to the Deputy Head of Institutional and Small-Medium Enterprises (SMEs) of the Ministry of Cooperative and SMEs, Setyo Heriyanto, the Islamic Financial Service Cooperative (KJKS) or *Baitul Maal wa Tamwil* (BMT) has the ability to move the real sector in Indonesia. Its national assets reached Rp 4.7 trillion with the financing value reached up to Rp 3.6 trillion in 2015 (Republika.co.id, 2015). BMT as Islamic microfinance institution is needed by the society because based on the data from the Ministry of Co-operative and SMEs, Indonesia had nearly 59.3 million enterprises which the majority is represented by micro-enterprises, accounted for 98.75% of the total, while small and medium-enterprises accounted for 1.15% and 0.10% in 2014 (OECD, 2018). MSMEs in Indonesia account approximately 57% of the Indonesia GDP (Bellefleur et al., 2012). The proportion of people employed in SMEs hovered around 97% over the period 2006 to 2014.

In particular, micro-enterprises employed 87% of the

private-sector workforce in 2014, whereas small-enterprises employed 5.7% and medium-enterprises employed 4%. On the other hand, share of private-sector employment for large companies only changed by about half a percentage point. These data, therefore, corroborate the hypothesis of a recent consolidation process by which larger SMESs, to the disadvantage of micro-enterprises, have come to account for larger share of the economy (OECD, 2018).

The experience of BMT Dana Syariah Yogyakarta shows positive results of Islamic micro-finance activities that generates positive economic effects to its members such as income growth and reducing poverty, self-employment, asset ownership, food security, and capability to make their children educated. It also significantly helps micro-entrepreneurs by providing micro-finance for their business (Kholis, 2012). Currently in Pasuruan, East Java, the Sidogiri BMT targets its assets in 2018 to 2020 will reach Rp 5 trillion, based on its performing assets in 2017 that reached up to Rp 2.4 trillion (Republika.co.id, 2018). Indonesia is said to have become the country with the largest Islamic micro-finance in the world because Indonesia has had 5500 BMT with the number of outlets by 22 thousands, with the membership around 762 thousand members, and total assets reached Rp 5 trillion to Rp 8 trillion. According to Bank of Indonesia research, assets of 100 BMTs in Indonesia could reach 10 trillion (Islamiceconomic.org, 2018). As an institution in the form of cooperative that operates in accordance with Islamic principles (Andari, 2017), financing in BMT is mostly funded by the members' savings (Suharto, 2015). Although the majority of its members are in small businesses, who have been less accounted by the bank as fund raisers, BMT has managed to become a reliable microfinance institutions due to its ability to raise public funds. By increasing its member ability to have savings, BMT will also be able to accumulate more capital for SMEs (Republika.co.id, 2015).

There is no doubt that BMT as an Islamic microfinance institution has played an important role in the provision of micro-financing for micro-enterprises. However, the rapid growth of BMT still faces many challenges such as the lack of reliable human resources, marketing, technology, products

innovation, and inadequate regulations. Thus, it needs various parties' efforts to solve the problems (Republika.co.id, 2015). With respect to extending the role of BMT for increasing the business of MSMEs, several recommendations should be made in order to make BMT consumer self-sufficient in a gradual manner, particularly in the manner of marketing management as one of their biggest problem.

Consumer is the most important element in a business. Without consumer, a business will not grow. In marketing management, in order to enhance the consumer demand of its products and services, it is necessary for a company or an institution to analyze their consumer behavior. Consumer behavior influences consumers' decision to purchase or to use products and services (Kotler and Keller, 2017). The willingness and the ability of consumers to purchase or use a quantity of products or services in a given period of time or at a given point in time, will predicts their demand on the products or services (Economicsonline, 2016 in Aisyah, 2017). Thus, by analyzing the member decision to use the *Mudharabah* savings product, the BMT will be able to predict the consumers' demand of its products and services. *Mudharabah* savings is selected as the product sample because it is one of Islamic financing product that is appropriate to sustain the business capital of SMEs (Trimulato, 2016).

As a financial institution, BMT requires to encourage their member with a sufficient level of profit. While the conventional cooperative provides the profit in the form of interest, BMT provides it with profit sharing system. The calculation of the profit will be in accordance with the Islamic pattern that is performed by the income distribution system (Juklak KJKS, 2004). Based on a previous research, the product and service quality significantly influence the public perception of BMT both partially and simultaneously. It means that BMT needs to pay attention to their products and service quality because the public already familiars with them.

The level of service quality can be determined by the member by comparing their perceptions or expectation with the actual services given by the BMT (Umiyati, 2015). Other

researches have also shown that there are positive effects between the service quality and the profit sharing toward consumers' decision to use savings in Islamic banks (Daulay, 2010; Yogiarto, 2015).

According to Irawan in Astogini (2011), there are ten unique consumer behavior in Indonesia, namely: short term thinking, unplanned, gathering, stuttering, technology, context orientation, prestige, strong in sub culture, less concerned about environment, and religious. Many researches have shown that religiosity influences consumer behavior, attitudes and purchase decisions process (Delener, 1990; Pettinger et al., 2004; Bonne et al., 2007). Consumers' purchase decision depends on attribute-based (Hawkins and Mothersbaugh, 2010; Solomon in Zickermann, 2014). As the largest Muslim population in the world, Indonesian consumers are demanding for products or services that carry religious symbol like halal label or *sharia* brand as attributes which often used by companies as their marketing strategy (Aisyah, 2015).

Thus, this research is intended to examine the influential factors involved in members' demand on *Mudharabah* savings particularly in three BMTs in Ciampea Bogor as samples. Bogor is chosen because it is located in West Java province that 97% of its population are Moslem (Byron et al., 2015). West Java is the highest Moslem population in Indonesia at 20% of the total 209,286,151 (Badan Pusat Statistik, 2017 in Widiyasari, 2018). Like West Java, Bogor has the greatest group of Moslem inhabitants that consists of 42,078,858 Moslem or 97,8% of total population (Kemenag.go.id, 2011 in Widiyasari, 2018). By using the multiple linier regression to analyse the impact of profit sharing, service quality, and consumers' religiosity toward BMT member decision to use *Mudharabah* savings, the findings of this research could shed the light on the development of BMT in Indonesia.

LITERATURE REVIEW

Profit Sharing

The Islamic scholars and leaders have been justified cooperative as the new model of *Syirkah Ta'awuniyah* which is allowed because the work mechanism is in accordance with the *sharia* (Umiyati, 2009). The Decision of the State Minister

for Cooperatives and SMEs of the Republic of Indonesia, No.91/Kep/M.KUKM/IX/2004 about the Guidelines for the Implementation of KJKS (BMT) explains that the existence of the cooperative under the *sharia* pattern is required as the financial institutions that are oriented to the micro-enterprises. It also explains that savings or deposit is defined as funds that are trusted to a BMT by the members, prospective members, or other cooperative and its members (Juklak KJKS, 2004). In term of savings, the Declaration of the Indonesian National Sharia Board (DSN) in the Fatwa of DSN No.02/DSN-MUI/IV/2000 mentions that the proposition of savings or deposit is allowed in Islam which is confirmed in the Quran, Al-Baqarah: 283 (DSN MUI, 2003).

As one of Islamic savings product, *Mudharabah* is a cooperative agreement between two or more people, where one party as the capital provider and the other parties as business practitioners that are based on a profit sharing system (Suhendi, 2002; Trimulato, 2016). The *Mudharabah* savings uses profit sharing system instead of using the interest mechanism which is unlawful in Islam. The profit sharing is where both parties will share the profits in accordance with an agreement in which the profit sharing requires cooperation for the purpose of mutual interest of both parties, as well as for the interest of the community (Al-Qardhawi, 2001; Trimulato, 2016). The calculation of the profit will be in accordance with the Islamic pattern that is performed by the income distribution system (Juklak KJKS, 2004). To become a reliable microfinance institutions, BMT requires to encourage its member's ability to have savings by offering a sufficient level of profit which in turn bring more capital for MSMEs in Indonesia.

Service Quality

Service quality is a long-term cognitive evaluation of consumers toward the company's services. The main requirements for delivering high service quality is identified by five determinants, namely: (1) Reliability, the ability to perform the promised service dependably and accurately, (2) Responsiveness, the willingness to help consumers and provide prompt service, (3) Assurance, the knowledge and courtesy of

employees and their ability to convey trust and confidence, (4) Empathy, the provision of caring, individualized attention to consumers, (5) Tangibles, the appearance of physical facilities, equipment, staff and communication materials (Parasuraman et al., 1985; Zeithalm et al., 1988, Lee and Lin, 2005; Zeithalm et al., 2013; Cetinsoz, 2015; Rusdianti et al., 2016). A high quality of service that is given by a company can make a positive perception toward company and produce satisfaction and customer loyalty (Kotler and Keller, 2017).

Religiosity in Islam

Islam as a way of live is a human effort to achieve welfare in his life and hereafter (Antonio, 2006). Different with other religion, *Sharia* in Islamic principle emphasizes on *ibadat* (worshiping God) and *muamalat* (human interaction) with a good and proper way by understanding its etiquette and implement it in everyday life in order to be a good Moslem (Antonio, 2006; Temporal, 2011). Thus, religiosity in Islam is formed from *hablumminallah* behavior (relation with God) and *hablumminannas* behavior (relation with human being), which positively influence consumers' decision to purchase halal or *sharia* products (Aisyah, 2017). *Hablumminallah* behavior is formed from cognition, affection and conation in Faith and Worship aspects of a Moslem in his relationship with God, which clearly written in the two Islamic foundations, the six Pillars of Faith and the five Pillars of Islam (Worship) (Mansoer, 2008; Husaini, 2013; Aisyah, 2014), which is measured from three dimensions, namely: having knowledge, having believe, and practicing the pillars of Faith and Worship (Mansoer, 2008; Aisyah, 2014).

While *Hablumminannas* behavior is essentially about the fact of nature of human life, human personality, habit, event, and *ikhwal* (causes) (Hidayat, 2009; Aisyah, 2014) which is measured based on three dimensions, namely: Islamic personality toward oneself, fellow human beings, and natural surroundings (Mansoer, 2008; Aisyah, 2014). As the part of their everyday life, religiosity is closely related to the consumers' decision to purchase or use products and services (Delener, 1990; Pettinger et al., 2004; Bonne et al., 2007; Hawkins and Mothersbaugh, 2010;

Astogini, 2011; Solomon in Zickermann, 2014; Aisyah, 2015).

Consumer Purchase Decision

Consumer behaviour is process of an individual engage in when evaluating, acquiring, using or disposing of goods and services for personal consumption or others (Jisana, 2014; Ogbeide, 2015; Setyawan, 2016; Stankevich, 2017). There are are five stages of consumer purchase decision process, namely: problem recognition, information search, evaluation of alternatives, purchase decision, and post purchase behavior. After consumers feel a need for a product or services, they often looks for information either stored in their own memory or obtained from environment such as the press, friends, families, or other consumers. Once the information is collected, consumers evaluate alternatives that are offered and select the one that is the most suitable for their needs, then decide to make a purchase. After the product has been used, the consumer will either feel a sense of satisfaction or disappointed (Prasad and Jha; 2014; Xu and Chen, 2017; Stankevich, 2017). By analyzing the consumer decision to purchase or to use its product or services, a company will be able to predict the consumers' demand of its products and services (Aisyah, 2017).

RESEARCH METHOD

This research used survey and questionnaire to collect primary data. By using survey data, this research try to explore causal relationships between two or more variables (Gangrade, 1982; Mathers et al., 2009).

This research used probability sampling method with random sampling technics which allows researchers to create a sample that is accurately representative of the real-life population of interest (Foley, 2018).

There are only three BMTs in Ciampea district, Bogor: BMT El-Umma, Koperasi Karya Usaha Mandiri Syariah, and Koperasi Baytul Ikhtiar. The population is 703 members who have used *Mudharabah* savings. Based on the population, it requires a minimum of 88 respondents (Stephanie, 2012; Ryan, 2013). After distributing 200 questionnaires, there were 159 data that can be further analyzed. The testing of data quality

covered the validity and reliability test, followed by the classical assumption test. Then proceed with the the calculation of coefficient determination (R^2), simultaneous test (F test) and partial test (t test).

The multiple linear regression analysis were used to analyze the hypotheses. After converting the model (see Figure 1) into an equation as follows:

$$Y = a + b_1.X_1 + b_2.X_2 + b_3.X_3 + \varepsilon$$

Y = Decision to use Mudharabah savings

a = Constant

X1 = Profit sharing

X2 = Service Quality

X3 = Consumers' Religiosity

b1, b2, b3 = Beta coefficient

ε = Error

Figure 1. The Multiple Linier Regression Model



There are four hypotheses in this research: (1) Profit sharing influences consumers' decision to use *Mudharabah* savings; (2) Service quality influences consumers' decision to use *Mudharabah* savings; (3) Consumers' religiosity influences the decision to use *Mudharabah* savings; and (4) Profit sharing, service quality and consumers' religiosity simultaneously influences the decision to use *Mudharabah* savings.

The higher the profit sharing, service quality and religiosity, the higher the consumers decision to use *Mudharabah* savings. The higher the consumers decision to use, the higher the consumers demand on *Mudharabah* savings which is highly

correlated with the highly performance of BMT as the service provider.

RESULT AND DISCUSSION

All variables are reliable because all Cronbach alpha value of each variable are greater than 0.700, thus all variables are reliable (Ghozali, 2013). All indicators are valid because the value of corrected item-total correlation for all items in the questionnaire are greater than 0.179 as the value of r table (Ghozali, 2013). The data is normally distributed with the value of kurtosis and skewness of the residuals lies on -0.427 to 1.638 which is in the range of -2 to 2 (Yamin and Kurniawan, 2009). There is no multicollinearity among independent variables because no variables of which the Tolerance value and VIF value are below 0.10 (Ghozali, 2013). The regression model does not contain any heteroscedasticity because all variables reach the significant level, greater than 0.05 (Ghozali, 2013).

Based on gender, the female respondents (74%) are nearly three times more than male respondents (26%). This shows that in domestic life, women has an active role in managing family's finances. Based on age, the majority of respondents (98%) are in the productive age between 25-56 years. Based on education level, the majority of respondents are graduated from junior high school (46.5%), followed by elementary school (32%). The low level of education limits the job opportunities and causes low-income. Based on income level per month, the majority of respondent (72%) come from low economic class with Rp 1.5 million to Rp 3 million income per month. Based on the type of work, the majority of respondents are self-employed (69%), particularly as micro and small traders which are the main target of BMT.

The coefficient determination test measures how well the model in explaining the variation of dependent variable. The result in Table1 shows that the amount of Adjusted R Square is 0.128, so 12.8% of the variation of members' decision to use *Mudharabah* savings (Y) can be explained by the variation of the three independent variables: Profit sharing (X1), Service quality (X2) and Religiosity (X3). While the rest, 8.2% are explained by other variables outside the model.

Table 1. Coefficient Determination Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.380 ^a	.144	.128	.33997

a. Predictors: (Constant), X3, X1, X2

The simultaneous hypothesis test measures the influence of independent variables simultaneously toward dependent variable. The result in Table 2 shows that the F value is 8,709 with the probability of 0.000, less than 0.05, so the profit sharing, service quality and consumers' religiosity influence the members' decision to use *Mudharabah* savings simultaneously which means that the regression model properly predicts the demand of *Mudharabah* savings among the respondents.

Table 2. F Test Result

Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.020	3	1.007	.000 ^b
	Residual	17.915	155	.116	
	Total	20.935	158		

a. Dependent Variable: Y

b. Predictors: (Constant), X3, X1, X2

The partial hypothesis test measures the influence of each independent variables toward dependent variable partially. The result in Table 3 shows that from the three independent variables, only service quality has the probability of 0.613, greater than 0.05. While profit sharing and religiosity are 0.00 and 0.043, less than 0.05.

Therefore it can be concluded as follows: (1) Profit sharing significantly influences consumers' decision to use *Mudharabah* savings; (2) Service quality does not significantly influence consumers' decision to use *Mudharabah* savings and (3) Religiosity significantly influences consumers' decision to use *Mudharabah* savings.

Table 3. T Test Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.232	.698		1.765	.080
Profit sharing	.335	.092	.297	3.639	.000
Service quality	.045	.089	.042	.507	.613
Religiosity	.319	.156	.157	2.041	.043

a. Dependent Variable: Decision to use

The profit sharing significantly influence the members' decision to use *Mudharabah* savings. The higher the profit sharing, the higher the members' decision to deposit their funds in *Mudharabah* savings of BMT. The profit sharing system is viewed from two sides, from the borrower's side and from the financier's side. From the borrower's side, unlike in the interest system, the borrower is not pegged to pay a fixed fund for a certain period of time which will benefits the borrower because under the conditions of uncertainty, it can minimize the borrower's risk. While from the financier's side, unlike in the interest system, the profit gained by the financier is based on their ability to manage the funds, so all related parties can get benefit and receive fair treatment as Islam desires (Hamidi, 2003 in Daulay, 2010).

The concept of profit sharing system is recognized as follows: (1) the customers invest their funds to the Islamic financial institution or bank that act as the fund manager, (2) the fund manager manages the funds based on the pool of funds system which will be invested into appropriate projects or businesses that fulfill the *sharia* aspects, (3) both parties sign an agreement (*akad*) that provides the scope of cooperation, the time period, the ratio and the nominal of profit sharing (The Indonesian Bankers Association, 2003 in Wiyono, 2006).

The provision of profit sharing consists of: (1) the risk sharing is made in the contact period by referring to the possibility of profit or loss, (2) the amount of profit sharing is based on the amount of profit earned with the ratio in accordance with the initial contract agreement (3) The profit sharing will increase

based on the increase of total revenues, (4) no misdoubt against the profit sharing since it is in accordance with *sharia*, (5) the amount of profit sharing depends on the profit of the business engaged. If the business does not get any profit, the loss will be shared by both parties. (Wiroso, 2005; Daulay, 2010). With a sufficient profit sharing system, BMT will be able to improve the fund management to a larger profitable real sector which will significantly attract more customers.

The members' decision to use *Mudharabah* savings is also significantly influenced by their religiosity. The higher the religiosity, the higher the members' demand on *Mudharabah* savings. Religious values is very much determined a person behavior in performing his or her daily life (Hawkins and Mothersbaugh, 2010; Alowd and Woldie, 2013), including in choosing savings product and where to save the fund. Religious factor as a sub culture is based on self-oriented values. It can identify consumer behavior where the values and religious teaching affiliation will greatly influence consumers' purchase decisions and their daily consumption patterns (Hawkins and Mothersbaugh, 2010). Thus, Moslem consumers' decision to purchase or use halal or *sharia* product such as *Mudharabah* savings, allegedly constituted by their self-oriented values in order to practice their religious believe (Aisyah, 2015).

In the last two decades, Islamic banks and financial institutions including BMT have gained momentum worldwide. A study in the state of Bahrain showed that religion plays a big part in customers' decisions to deal with Islamic banks. The majority of their customers are well educated with approximately 50% are a bachelor degree or above and 80% of them are between 25-50 years old (Metawa and Almossawi, 1998).

A study in the UK conducted by Alowd and Woldie (2013), also showed that the interest of Moslems in the UK to use Islamic banking, mainly were based on religious purposes. Even though Moslems in the UK were not aware of the basic Islamic financial terms and principles, Islamic banking in the UK is growing and the services will be expanded in the near future.

Another study by Norafifah and Haron (2002) in Malaysia which investigated respondents' personal opinion on various

aspects of Islamic banking, showed that religiosity was one of the reasons for customers selecting Islamic banks. In fact, even the majority of the respondents were non-Moslems, they knew that Moslems were not allowed from patronizing conventional banks due to the interest that was prohibited in Islam. In her research, Triana et.al (2016) also found that the level of religiosity of *Sharia* Faculty students of UNISBA significantly influenced their interest to use Islamic savings, particularly at the BRI *Sharia's* cash office at UNISBA. This is also inline with a research conducted by Rehman and Shabbir (2010) that showed that religiosity affects the New Product Adoption (NPA) among Moslem consumers, because their beliefs influence how and what products they adopt.

Moslem's willingness to use halal or *sharia* product is significantly influenced by consumers' religiosity (Aisyah, 2017). It can be concluded that the higher the reflection of knowledge, attitude and the implementation of consumers' faith and worship to Allah in order to have a secure life in the earth and hereafter, the higher the consumers' Islamic personality toward him or herself, fellow human beings and natural surroundings. The higher the *hablumminallah* and *hablumminannas* behavior, the higher the religiosity. The higher the religiosity, the higher the consumer decision to use *Mudharabah* savings.

In this research, only service quality does not influence consumers' decision to use *Mudharabah* savings. It indicates that the service quality of BMT has not been supported by their operational and marketing strategy. Therefore, the management needs to improve their service quality for the benefit of their members and institution.

Service quality is one of the most effective means of establishing a competitive position and improving organizational performance especially to gain profit maximization (Saravanakumar and Jayakrishnan, 2014). Customers are more inclined to employ services, become less price-sensitive, and endorse positive experiences on services received through quality service (Venetis and Ghauri, 2000).

The exceptional service quality level is significant for service providers particularly in the aspect of competing with one another (Bharati and Berg, 2005 & Kemp, 2005 in Yoo and

Park, 2007). To establish a competitive position, BMT must determine its level of service quality, so that it could have an effective strategic plan and think about how to keep and satisfy its consumers' needs. However, due to its special characteristics of services, a service provider such as BMT or cooperative is often not easily identifiable or measurable that may be caused by lack of consensus over the meaning of quality itself which is stems primarily from the divergent perspectives and vantage points used by many organizations to view what is the ideal for them. Quality is something that has a very high degree of relativity associated with the evaluation of products and services by customers (Parasuraman et al., 1985), while the term services are known as performances or actions rather than objects. Services cannot be seen, felt, tasted or touched in the same manner in which goods can be (Zeithalm et al., 1985). The theoretical foundation of service quality lies in the product quality and customer satisfaction.

A consumer's perception on the competence of a service provider, on both advantages and disadvantages of a service provider in general, encompasses service quality and is highly correlated to customer satisfaction (Shin and Kim, 2008; Tsoukatos and Rand, 2006). Moreover, service quality is commonly affirmed as degree and direction between customer service expectations and perceptions (Newman, 2001). Service quality is also defined as service which is delivered to customers and should fulfill their requirements, expectations and satisfactions (Saravanakumar and Jayakrishnan, 2014).

Consumers form service expectations from many sources, such as past experiences, word of mouth, and advertising. In general, consumer compares perceived and expected service. If the perceived service falls below the expected service, consumers are disappointed (Kotler and Keller, 2017). Thus, the concept of service quality is defined as a function of the magnitude and direction of the gap between expectation and perception of the performance received (Zeithalm et al., 1988).

The service quality model identifies five gaps that prevent successful services delivery (Kotler and Keller, 2017), those are: (1) Gap between consumer expectation and management perception. Management does not always correctly perceive

what consumers want. A financial service administrators may think consumers want a wider range of products, but consumers may be more concerned with higher profit; (2) Gap between management perception and service quality specification. The management might correctly perceive what consumers want but not set a performance standard. A financial service administrators may tell employees to give “fast” service without specifying speed in minutes; (3) Gap between service quality specifications and service delivery. Employees might be poorly trained or incapable of reluctant to meet the standards, they may be held to conflicting standards, such as taking time to listen to consumers and serving them fast; (4) Gap between service delivery and external communications. Consumer expectations are influenced by statements made by company representatives and ads. If the Islamic Financial Service Cooperative brochure promises a simple and uncomplicated registration process but the prospect customer finds it difficult and take a long time, external communications have distorted the customer’s expectation; (5) Gap between perceived and expected service. The consumer may misperceive the service quality. The employee may keep asking too many question to the prospect customer while in registration process to show care, but the customer may interpret this as an indication that something is really wrong.

Berry et al. (2003) offer ten essential lessons for improving service quality across service industries such as financial institutions: (1) listening, BMT should understand what consumers really want through continuous learning about expectations of consumers; (2) reliability, it is the single most important dimensions of service quality and must be a service priority, thus BMT must be able to perform the promised service dependably and accurately; (3) basic service, BMT must deliver the basic service of an Islamic financial cooperative and do what they are supposed to do such as keep promises, use common sense, listen to consumers, keep them informed, and be determined to deliver value to consumers; (4) service design, BMT should take a holistic view of the service while managing its many details.

Considering the majority of their members are micro and small traders, the management need to design a simple and uncomplicated services to meet members need; (5) Recovery,

to satisfy consumers who encounter a service problem, BMT should encourage consumers to complain (and make it easy for them to do so), respond quickly and personally, and develop a problem resolution system; (6) Surprising consumers, although reliability is the most important dimension in meeting consumers' service expectations, process dimensions such as assurance, responsiveness, and empathy are most important in exceeding customer expectations, for example, by surprising them with uncommon swiftness, grace, courtesy, competence, commitment and understanding; (7) fair play, BMT must make special efforts to be fair and to demonstrate fairness to consumers and employees; (8) teamwork, it is what enables organizations to deliver service with care and attentiveness by improving employee motivation and capabilities; (9) employee research, management should conduct research with employees to reveal why service problems occur and what they must do to solve problems; (10) servant leadership, quality service comes from inspired leadership throughout the organization, from excellent service system design, from the effective use of information and technology, and from internal force called corporate culture.

It also concluded from the findings that BMT needs to start their effort to improve their employees' performance through various training programs in order to improve their ability to serve the consumers' needs and increase their knowledge about BMT products in order to increase the consumer confidence. Islamic financial institutions could encourage their employees to work faster and more easily understood by the customers by restoring their standard of procedure with a more effective ones so it can suits with the customer needs in order to be able to compete with conventional financial services which already success manage their time management. They also need to be trained intensively and periodically, especially in order to have a deep understanding about Islamic financial products so they understand the difference between Islamic financial products with conventional ones (Aisyah, 2018).

BMT also needs to improve its infrastructure which includes a comfortable waiting room by providing supporting equipment such as machine queue, comfortable seats, air conditioner, etc., as well as software and hardware system that can improve the

efficiency of the operational and managerial system. According to Thaker et.al. (2016), in order to overcome negative perceptions and to enhance their image among customers, an Islamic financial institution should focus on improving their physical facilities. Othman and Owen (2001) suggested that the latest technology plays a really important role in gaining popularity for the Islamic financial institution among customers.

Service quality is the key factor to increase customer satisfaction and loyalty (Hidayat et. al, 2015). To become different and competitive, the institutions need to continually improve their service quality which is critical for the expansion of its market share (Dahari et.al, 2015). Many researchers found out that service quality increases market share and repeated sales that ultimately leads to the customer loyalty (Rust et.al, 1993 in Badara et.al, 2013). A high level of service quality also enhances customer tendency to use more services, to become less price-sensitive and willing to tell others about the favorable and useful services provided by the company (Kishada and Wahab, 2013).

CONCLUSION

The profit sharing dominantly influences consumers' decision to use *Mudharabah* savings. The higher the profit, the higher the consumers' demand to use *Mudharabah* savings. Consumers' religiosity significantly influences consumers' decision to use *Mudharabah* savings. Consumers who have higher religiosity prefer to use Islamic savings like *Mudharabah* savings than conventional savings as a reflection of their piety to Allah SWT. The insignificant influence of service quality toward consumers' decision to use *Mudharabah* savings shows that the service quality of BMT has not been supported by their operational and marketing strategy, thus BMT need to start their effort to improve their employees' performance and infrastructures in order to improve consumers' confident. This research could become the basis of consideration for BMT and other Islamic microfinance institutions in developing eligible products and services for their customers which will encourage the business community like MSMEs to use BMT as their financial service provider.

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