

# Determinants of Customer Financing Decisions Baitul Tamwil Muhammadiyah (BTM) Amman Magelang

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**ABSTRACT:** In this study aims to examine the effect of service quality, customer knowledge, promotions, religious obligations, and pricing on customer financing decisions (a case study on Baitul Tamwil Muhammadiyah (BTM) Amman Magelang. The data collection technique uses the survey method by distributing questionnaires to financing customers at BTM Amman Magelang. In this study, a sample of 115 respondents was selected using a simple random sampling technique. The model used to analyze data or test hypotheses is using the Smart PLS 3.0 program application. Based on the results of the research that has been done, it is obtained that partially consumer knowledge, religious obligations, and pricing have a positive and significant effect on customer financing decisions. Meanwhile, the service quality and promotion variables do not partially affect customer financing decisions.

**Keywords:** BTM, Service Quality, Consumer Knowledge, Religious Obligations, Promotions, Pricing, Customer Decisions.

## I. INTRODUCTION

Muhammadiyah is an Islamic movement that upholds the mission of amar ma'ruf nahi munkar with the aim of upholding the religion of Islam so that in the future it can create a truly Islamic society. Muhammadiyah views that Islam encompasses all aspects of life which consist of aqidah, worship, morality, and worldly mu'amalat which are a unified whole and must be carried out in individual and group life.

The birth and growth of Islamic financial institutions in Indonesia such as Sharia Banks, Sharia Cooperatives, Sharia Insurance, and Sharia Pawnshops. For example Baitul Mal wa Tamwil. Baitul Mal wa Tamwil is a financial institution incorporated as a cooperative, most of whose capital comes from the people who are members of the BMT. Seeing the development of Islamic finance which was very well received by the community, the Muhammadiyah organization was encouraged to establish a Muhammadiyah charity business in the economic field which later gave birth to the Baitul Tamwil Muhammadiyah (BTM). Baitul Tamwil Muhammadiyah is the only Muhammadiyah-owned business charity engaged in microfinance that operates based on sharia principles and has a cooperative legal entity.

Baitul Tamwil Muhammadiyah also has the main task that must be carried out as an Islamic microfinance institution, BTM functions to collect then distribute funds and develop productive businesses through financing and savings products in BTM. So, the function of BTM here is the empowerment process to increase productive businesses and investment in the economic activities of small entrepreneurs in accordance with Islamic sharia principles.

A financial institution must be proficient in designing the right marketing strategy in order to maintain the continuity of each of the products they offer. Marketing strategies can be carried out by knowing and analyzing consumer behavior, for example, such as the buying decision process, consumer characteristics, and consumer satisfaction. So when consumers decide to choose a product they have certain reasons, for example, consumers are satisfied with the quality of service and services offered by the product. Observing the quality of services provided will affect the size of the demand for a financing product. In this regard, many previous studies have been carried out regarding the relationship between service and customer decisions in making financing products, including research by (Lenggo Ghenisa & Setyawati Dewanti, 2020) obtaining results of service quality, knowledge of financing products, and ownership Guaranteed guarantees to have a significant effect on the decision to make financing. Research by (Bahari et al., 2019) obtained the results

that promotion and religious adherence had a significant effect on the choice of financing products. Research by (Atal et al., 2022) obtained the result that the influence of social and religious obligations had a significant effect on the attitude toward using murabahah financing.

From the explanation above, namely about various kinds of determinants of customer decisions in choosing financing products from previous studies, the authors are interested in conducting research with the title "Determinants of Customer Financing Decisions Baitul Tamwil Muhammadiyah (Btm) Amman Magelang".

The formulation of the problem in this study is how the influence of service quality, consumer knowledge, religious obligations, promotions, and pricing on customer financing decisions at BTM Amman Magelang.

The purpose of this study was to determine the effect of service quality, consumer knowledge, religious obligations, promotions, and pricing on customer financing decisions at BTM Amman Magelang.

## II. LITERATURE REVIEW

### Theoretical Basis

Customer financing decisions

According to (Mowen 2002) The decision-making perspective describes a consumer carrying out a series of certain steps and other driving factors when making a purchase. These steps include problem identification, search, alternative evaluation, selection, and post-acquisition evaluation.

Thus, the Customer's Financing Decision is the customer's decision when financing through a series of steps supported by factors that influence the customer's financing decision.

Service Quality

Service Quality is the translation of the term "excellent service" which means the best or very good service so that the people served feel happy, satisfied, and pleased. The purpose of excellent service for the company is to maintain the company's survival. If the service provided is unsatisfactory, of course, this will disappoint the customer and the customer will choose to turn to another company (Daryanto; Ismanto Setyabudi; Bintoro 2014)

Indicators variable of Service Quality (Kasmir 2005):

Responsible for every customer from start to finish, Able to serve quickly and precisely, of course when compared to competitors, Able to communicate clearly and pleasantly and be able to capture the wants and needs of customers, Provide guarantees of confidentiality of every transaction especially in financial matters, Have good knowledge and skills about the products being sold and other general knowledge.

Promotion

According to Saladin, promotion is a communication of seller and buyer information that aims to change the attitude and behavior of buyers, who previously did not know to become familiar so that they become buyers and still remember the product. (Saladin 1991)

According to Fandy Tjiptono, promotion is a form of marketing communication. What is meant by marketing communications are marketing activities that seek to disseminate information, influence or persuade, and remind target markets of their products so that they are willing to accept, buy, and be loyal to the products offered by the company in question. (Tjiptono & Chandra 2012)

According to Stanson, promotion is the best strategic combination of advertising, personal selling, and other promotional tools, all of which are planned to achieve sales program objectives. Meanwhile, according to Lamb, Hair, Mc-Daniel, promotion is communication from sellers who inform, persuade, and remind potential buyers of a product to influence their opinion or obtain a response. (Jaiz 2014)

From the understanding according to some experts, promotion is the company's efforts to influence customers or consumers to want to use the products or services offered by the company. Promotion includes elements of providing information and influencing customer behavior. It can also be interpreted that promotion is an effort by producers to communicate with customers to influence customers to lead to the desired actions of the company, namely having consumers..

Indicators variable of promotion (Daud 2013): Personal Selling, Mass Selling, Sales Promotion, Public Relation.

Customer Knowledge

Consumer Knowledge is defined as many experiences with and information about a particular product or service owned by a person. (Mowen 2002) The definition of customer knowledge is as follows: At a layman's level, knowledge can be interpreted as information stored in memory. Meanwhile, information related to consumers dealing with market share is referred to as consumer knowledge. (Engel J. F. and R.D, Miniard 2004) Based on these two definitions, it can be concluded that customer knowledge is all information that consumers have about various kinds of products and services.

es as well as other knowledge related to these products and services.

Indicators variable of customer knowledge(Sunardi and Maftukhah 2018):Knowledge of product/service characteristics or attributes, Knowledge of product/service benefits, Knowledge about the satisfaction provided by products/services for consumers.

#### Religious Obligation

According to (Amin et al. 2011) Religious obligation refers to the role of religion in influencing one's choices and activities. According to (Sulaiman 2003) All Islamic banks must obey and comply with Islamic principles when offering Islamic banking products to customers. If Islamic banks adhere strictly to Islamic principles, there is a greater probability that Muslims will use Islamic banking products.

Indicators variable of religious obligation(Atal et al. 2022):Sharia financing is in line with Islamic philosophy in conducting banking business, Sharia financing is based on the implementation of sharia principles of business,The introduction of sharia financing is based on the Al-Quran and Hadits, Sharia financing is free from usury, Sharia financing is free from fraud.

#### Pricing

According to (Ebert 1998) Islamic financing pricing refers to the actions of Islamic banks in choosing the most appropriate price to sell financing products and the balance between the bank and the customer's interests.According to (Olson and A. Zoubi 2008) Islamic banks use profit and loss sharing in charging financial transaction services. The concept of interest, however, is prohibited in Islamic banking whereas the concept of profit and loss sharing is permissible. Furthermore, markups for delayed payments and trade finance commissions are permitted under the Islamic banking model.

Indicators variable of pricing(Atal et al. 2022):The profit margin set in financing is higher than conventional loan interest rates.

Monthly payments for financing are higher than conventional loans, Financing prices are still reasonable.

#### Theory of Planned Behaviour

According to (Ajzen, 1991) Theory of Planned Behavior is the intention that arises from the individual to behave and this intention is caused by several internal and external factors of the individual. The intention to perform a behavior is influenced by three variables, namely attitude toward the behavior, subjective norms, and perceptions of behavior control.Theory of planned behaviorexplains the individual's intention to behave is determined by three factors:

The first factor is an Attitude,the definition of attitude according to Gordon Allport is a mental attitude related to readiness to respond, organized through experience, and has a directing and or dynamic influence on behavior.The second factor is a Subjective Norm, Subjective norm is a component that is external to the individual that has an influence on the individual's behavior. Subjective norms are an attempt to include non-attitude influences on intentions and their implications for behavior by taking into account perceived social pressure to include behavioral intention calculations. The third factor an Perceived Behavioral Control, Perceived behavioral control can influence intentions or directly on the behavior itself.

#### Baitul Tamwil Muhammadiyah

According to (Pakanna, 2020) For Muhammadiyah, the existence of BTM is at the same time an implementation of the Decision of the Board of Tarjih and Tajdid PP Muhammadiyah which recommends that conventional bank interest is illegal. In addition, the presence of Baitul Tamwil Muhammadiyah is automatically the best solution for Muhammadiyah and its citizens in implementing the sharia financial system with its various products and contracts.BTM financing products According to (Ascarya, 2007) as for BTM financing products, are:

##### Murabahah

A sale and purchase contract in which the seller states the amount of profit on the goods by stating the cost of the goods, including the price of the goods and other costs incurred to acquire the goods, and the profit level (margin) agreed upon by the seller and the buyer at an agreed price. Both parties must agree on a selling price and a payment term. The selling price is included in the sale and purchase contract and if it has been agreed it cannot change as long as the contract is valid. In banking, murabaha is always carried out using installment payments. In this transaction, the goods are delivered immediately after the contract, while payments are made in installments.

##### Salam

Salam is a sale and purchase transaction in which the goods being traded do not yet exist. Therefore, goods are deli-

vered in a tough manner while the payment is made in cash. BTM acts as a buyer, while the customer acts as a seller. At first glance, this transaction is similar to buying and selling debt bondage, but in this transaction, the quantity, quality, price, and delivery time of the goods must be determined with certainty. In the Baitul Tamwil practice, when the goods have been handed over to BTM, BTM will sell them to fellow customers themselves in cash or installments. The selling price set by the bank is the purchase price from the customer plus the profit. In this case, selling it for cash is usually called bailout financing.

#### Istishna

Istishna' pricing resembling salam financing, but in istishna, the payment can be made in installments or deferred. The practice of istishna in BTM is generally applied to manufacturing and construction financing. The general provisions for istishna financing are that the specifications for ordered goods must be clear, such as type, size, quality, and quantity. The selling price that has been agreed upon in the contract may not change during the validity of the contract, if there is a change in the order criteria and price changes after the contract are signed, all additional costs will still be borne by the customer.

#### Ijarah

As the right to use goods or services by paying compensation for something that is permitted within a certain time. With a contract of transfer of usufructuary rights (benefits) for an item or service within a certain time through payment of rent or wages, without being followed by a transfer of ownership of the item itself.

#### Mudharabah

A business cooperation contract between two parties, where the first party provides all the capital, while the second party acts as the manager, and the business profits are divided between them according to the agreement outlined in the contract.

#### Musarakah

Musarakah is a cooperation contract between two or more parties for a particular business, in which each party contributes funds provided that the profits and risks are shared according to the agreement. Specifically, the form of contribution from BTM that cooperates can be in the form of funds, merchandise, entrepreneurship, intelligence, ownership, equipment, trust, and other items that can be valued in money.

### **Previous Research**

Research by (Atal et al., 2022) if equated with this study there is one independent variable that is the same as the research that the authors conducted, namely religious obligations where the results of the research show that religious obligations have a positive and significant effect on the decision to become a customer. Research by (Haque et al., 2009) if equated with this study there is one independent variable that is the same as the research that the authors conducted, namely service quality where the research results show that service quality has a positive and significant effect on the decision to become a customer.

### **Relationship between variables and hypothesis reduction**

Effect of Service Quality on customer financing decisions

(Lenggo Ghenisa and Setyawati Dewanti 2020) explains that service quality has a positive effect on the decision to become a customer. If the consumer's needs are felt to have been fulfilled even more than expected, it will create higher consumer interest. Customer satisfaction has benefits, including creating repeat purchases, can generate customer loyalty, increasing harmonious relationships between companies and customers, and allows word of mouth recommendations that can benefit the company so that people's interest in buying using the company's products is even higher.

Therefore the quality of service is an influential factor in increasing consumer interest.

According to (Ltifi et al. 2016) customers attach great importance to various service quality attributes, such as service availability, employee skills in dealing with clients, the time required for funding approval, contact personalization, and transaction speed financial transactions. From the above explanation can be drawn a hypothesis:

### **H1: Service Quality Has a Positive Influence on financing decisions by customers**

Effect of promotion on customer financing decisions

(Wardiyanti and Jayanto n.d.) explained that promotion has a positive effect on the decision to become a customer. This indicates that the promotion is carried out in a good way to produce a positive attitude from customers towards banking which ultimately influences customers to make planned behavior, namely the decision to use the product.

From the above explanation can be drawn a hypothesis:

**H2: Promotions have a positive effect on customer financing decisions**

The Influence of Consumer Knowledge on customer financing decisions

(Abdul Aziz, Rokiah, and Ahmad Azrin 2012) explained that non-Muslims from the age group between 19-35 years and highly educated have better knowledge and understanding of Islamic banking products and services. This is due to the wider exposure of news and information from various sources. From the explanation above, a hypothesis can be drawn:

**H3: Consumer knowledge has a positive influence on customer financing decisions**

The Effect of Religious Obligation on Customer Financing Decisions

(Atal et al. 2022) explained the importance of social influence and religious obligations in shaping the attitude of Muslims towards murabaha financing. In addition, the results of the study show that social influence and attitudes have a positive effect on the intention of Muslims to use Murabahah financing. This study also expands the TRA theory by adding variables, and the results of the study show that in addition to social influences, religious obligations also affect attitudes in the context of murabaha financing. From the above explanation can be drawn a hypothesis:

**H4: Religious Obligation Has a Positive Impact on financing decisions by customers**

Effect of Pricing on customer financing decisions

According to (Amin et al. 2011) banks should consider sharia personal financing pricing. There is a need for banks to establish a "fair pricing policy practice." Considering "payment holidays" and "lower rates for fixed Islamic financing regimes" are important approaches that can be added to the list of existing bank policies for Islamic private financing. Allowing a variable interest rate financing policy for Islamic private financing could help promote the practice of equity pricing of financing facilities in Islamic banks. From the above explanation can be drawn a hypothesis:

**H5: Pricing has a positive effect on financing decisions by Customer**

**III. RESEARCH METHODS**

In this research, the object of research is BTM Amman Magelang. As for the subjects of this study, BTM Amman customers who take financing products. The reason for taking BTM Amman Magelang is because BTM Amman Magelang is the only sharia microfinance institution owned by Muhammadiyah in the Magelang district and under the direct auspices of the Regional Leadership of Muhammadiyah Magelang Regency. Another interesting reason for BTM Amman Magelang is that BTM Amman Magelang uses real transactions, namely by providing goods and services that customers need directly, not through money loans like other cooperatives..

The data in this study is in the form of quantitative data, namely data that can be calculated directly as a numeric variable. The type of data is primary data, namely research data obtained directly from sources or not through intermediaries, which in this study originate from the answers of respondents through distributing questionnaires filled out by BTM Amman Magelang customers who have taken financing products..

In this study, sampling used a simple random sampling method, called simple because to determine the sample members from the population is done randomly without paying attention to the strata in the population. (Sugiono, 2012)

Number of Financing Customers at BTM Amman

No.	Year	Total
1.	2022	832

(Source: Financing Customer Data at BTM Amman Magelang in 2022)

To measure the sample size to be studied, the researcher uses the Slovin formula, where this formula is able to measure the sample size to be studied. The sample size to be studied is as follows:

$$n = \frac{N}{N \cdot e^2 + 1}$$

Descriptions :

n = Number of Samples

N = Number of Populations

e = The desired critical value (error limit).

From the formula above, the following numbers can be obtained:

$$\begin{aligned} n &= \frac{832}{832 \cdot (0,1)^2 + 1} \\ &= \frac{832}{832 \cdot 0,01 + 1} \\ &= \frac{832}{8,32 + 1} \\ &= \frac{832}{9,32} \\ &= 89,27 \end{aligned}$$

The number of samples used after being rounded up is = 89 customers.

In the measurement, each respondent was asked for his opinion regarding a statement, with a rating scale from 1 to 5. Respondent Perception Measurement Scale (Likert Scale 1 to 5). The Likert scale is designed to test how strongly the subject agrees or disagrees with a statement on a 5 point scale.

Sangat Tidak Setuju (STS) = 1

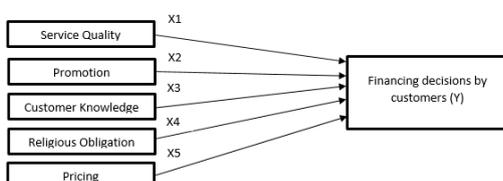
Tidak Setuju (TS) = 2

Netral (N) = 3

Setuju (S) = 4

Sangat Setuju (SS) = 5

In this study, the dependent variable (dependent variable) used was the customer's financing decision at BTM Amman Magelang (Y). The independent variables used are service quality (X1), customer knowledge (X2), promotion (X3), religious obligations (X4), and pricing (X5).



After the necessary data has been collected, the next step is to analyze the data using an application program *SmartPLS 3.0*.

#### Analysis *PartialLeastSquare*(PLS)

Stages of data analysis using *Partial Least Square* (PLS) basically consists of the following stages:

Designing a measurement model or Outer Model, The measurement model in this study can be carried out by testing convergent validity, discriminant validity and composite reliability. Validity test can be done by observing the value of convergent validity and discriminant validity of the indicators..

Convergent validity is the degree of correlation between different measurement instruments used to measure the same construct (McDaniel and Gates, 2013). A convergent validity test can be done by observing the value of the outer loading factors of the observed variables in the model that meet good requirements, the outer loading factors of the observed variables in the model have met the good requirements, namely  $> 0.70$  (Memon and Rahman, 2014: 5 ). Meanwhile, according to Hair et al. (2006: 345), the outer loading factors of the observed variables in the model meet good requirements, namely  $> 0.50$ .

The discriminant validity test was carried out to find out how far the difference in the value of the validity of a variable is when compared to other variables. One way to measure discriminant validity is to compare the square root value of the average variance extracted (AVE) obtained through the correlation values between variables (Hair et al., 2010: 212). It is recommended that the AVE measurement value should be greater than 0.50. If there are indicators that do not meet the requirements of the validity test, they are omitted to obtain a specific model.

Composite reliability is the reliability to measure the accuracy of latent variables used in research. Composite Reliability shows the consistency of indicators in measuring constructs. To measure reliability, it is recommended to use composite reliability and variance extracted values. A construct has good reliability or is reliable if the composite reliability value is  $> 0.7$  even though it is not an absolute standard and the variance average value is  $> 0.5$ . The reliability test is strengthened by Cronbach alpha where the consistency of each answer is tested and Cronbach alpha is said to be good if it has a value of  $> 0.7$ .

#### Designing a Structural Model or Inner Model

The inner model describes the relationship between latent variables based on substantive theory. The inner model is evaluated using R-square for the dependent construct. The model assessment criteria in SEM-PLS can be seen in the table below:

#### Evaluation of the Reflective Measurement Model

*LoadingFactor*(LF): Value of Loadingfactor indicator $>0,6$ . *DiscriminantReliability*:Value ofcrossloadingand compare the AVE root value and the correlation between constructs.*CompositeReliability*:Value ofcompositereliability $>0,7$ . *AverageVarianceExtracted*(AVE):Value ofaveragevarianceextracted(AVE)  $>0,5$ . *CronbachAlpha* :Value of cronbachalpha $>0,7$ .

#### Structural Model Evaluation

R2 for endogenous latent variables:R2 results for endogenous latent variables in the structural model. Changes in the R-square value can be used to assess the effect of the independent latent variable on the dependent latent variable whether it has a substantive effect with an R-square value  $> 0.67$  which is stated as strong,  $> 0.33$  moderate, and  $< 0.19$  which is considered low(Ghozali,2016: 97).

Path coefficient estimation: This significant value can be obtained by a bootstapping procedure where the T statistic value is  $> 1.96$  or P Value  $< 0.05$ .

#### Hypothesis testing and interpretation

The size of the significance of the hypothesis support can be used by comparing the values  $t_{tabel}$  and  $t_{hitung}$ . If the  $t_{hitung}$  is higher than  $t_{tabel}$  value it means that the hypothesis is supported or accepted, with  $t_{hitung} > 1,96$  and p value  $< 0,05$ . The analysis PLS (*Partial Least Square*) used in this study was carried out using the Smart PLS version 3.0 program which was run on a computer. Decision making from the hypothesis can be done by means of testing at a significance level of 0.05.

## IV. RESULT and DISCUSSION

### Results of Data Analysis

The relationship between variables is depicted with a path diagram. The path diagram in this study was conducted on latent variables, namely service quality (X1), promotion (X2), customer knowledge (X3), religious obligations (X4), pricing (X5), and national financing decisions customer (Y).

#### Results of measurement model analysis (Outer Model)

The outer model analysis is carried out to ensure that the measurement used is feasible to be used as a measurement

(valid and reliable). The outer model in this study was analyzed with several criteria including convergent validity, discriminant validity, composite reliability, and average variance extracted.

**Convergent validity test**

Convergent validity relates to the principle that the measures of a construct should be highly correlated. Convergent validity means that a set of indicators represents one latent variable and underlies the latent variable (Sarwono, 2015). The convergent validity test can be carried out by observing the outer loading value with the condition that the outer loading factors are > 0.7.

**Outer Loading Table**

	x1	x2	x3	x4	x5	y1
x11	0.474					
x12	0.786					
x13	0.786					
x14	0.808					
x15	0.768					
x21		0.670				
x22		0.815				
x23		0.775				
x24		0.801				
x31			0.915			
x32			0.931			
x33			0.822			
x41				0.798		
x42				0.817		
x43				0.873		
x44				0.816		
x45				0.723		
x51					0.091	
x52					-0.063	
x53					-0.324	
x54					0.968	
y1						0.816
y2						0.847
y3						0.846
y4						0.861
y5						0.838

These results indicate that the indicators used in this study have an outer loading factor value of > 0.7 so the research indicators are said to be valid, but there are several invalid indicators, namely the first service quality indicator, the first promotion, and the first, second and third pricing indicators. In this study, several invalid indicators were maintained because these indicators in real cases in the field are very important to determine the motivating factors of customers in making financing.

**Discriminant validity test**

Discriminant validity test can be assessed based on cross loading and compared with the AVE roots with the correlation between constructs (Fornell – Larcker). The discriminant validity test was carried out to find out how far the difference in the validity value of a variable is when compared to other variables. If the construct's correlation with the measurement items is greater than the size of the other constructs, then it shows that their block size is better than the other blocks.

**Cross Loading Table**

	x1	x2	x3	x4	x5	y1
x11	0.474	0.215	0.299	0.411	0.273	0.164
x12	0.786	0.397	0.410	0.463	0.211	0.197
x13	0.786	0.428	0.401	0.495	0.188	0.280
x14	0.808	0.461	0.523	0.567	0.259	0.194
x15	0.768	0.496	0.491	0.503	0.277	0.240
x21	0.545	0.670	0.536	0.440	0.313	0.240
x22	0.490	0.815	0.541	0.536	0.423	0.366
x23	0.370	0.775	0.320	0.467	0.389	0.299
x24	0.336	0.801	0.354	0.565	0.434	0.329
x31	0.519	0.495	0.915	0.601	0.478	0.509
x32	0.506	0.563	0.931	0.570	0.474	0.503
x33	0.532	0.447	0.822	0.529	0.431	0.448
x41	0.542	0.487	0.416	0.798	0.456	0.466
x42	0.535	0.506	0.511	0.817	0.430	0.439
x43	0.604	0.565	0.604	0.873	0.426	0.515
x44	0.476	0.570	0.552	0.816	0.498	0.524
x45	0.537	0.523	0.475	0.723	0.529	0.394
x51	0.268	0.220	0.139	0.359	0.091	0.017
x52	-0.002	-0.133	0.027	0.033	-0.063	0.002
x53	-0.062	-0.252	-0.096	-0.224	-0.324	-0.163
x54	0.317	0.468	0.518	0.538	0.968	0.605
y1	0.270	0.422	0.551	0.551	0.553	0.816
y2	0.255	0.323	0.413	0.430	0.440	0.847
y3	0.230	0.317	0.475	0.486	0.463	0.846
y4	0.214	0.293	0.447	0.454	0.546	0.861
y5	0.296	0.348	0.397	0.518	0.561	0.838

The table above shows that the indicators of service quality (x1), promotion (x2), customer knowledge (x3), and religious obligation (x4) have a higher main loading factor compared to other constructs. While the indicators on the pricing variable show that the pricing indicators have a lower main factor loading compared to the other constructs and only one indicator has a higher main factor loading compared to the other constructs. Another criterion used to test discriminato-

ry validity is to compare the square root value of the average variance extracted (AVE) which is obtained through the correlation value between variables (Hair et al., 2010). It is recommended that the AVE measurement value should be greater than 0.50.

Construct Reliability Table

	Cronbach's alpha	Composite reliability (rho_a)	Average variance extracted
Kualitas layanan	0.778	0.804	0.540
Promosi	0.767	0.785	0.589
Customer knowledge	0.868	0.875	0.793
Kewajiban bergama	0.865	0.873	0.651
Penetapan harga	0.434	0.311	0.263
Keputusan pengambilan pembiayaan oleh nasabah	0.897	0.900	0.709

The table above shows that for all variables the square root value of the average variance extracted (AVE) latent variable is greater than 0.7 and greater than the correlation value with all other latent variables, it is said to have good discriminant validity but there is one variable that has a square root value of AVE smaller than 0.7 and smaller than the correlation value with all other variables, namely the pricing variable, the pricing variable is said to have poor discriminant validity.

Composite reliability test

Reliability test can use two methods, namely Cronbach's alpha and Composite reliability. Composite reliability is the reliability for measuring latent variables (Hair et al. 2010). This reliability uses the reliability coefficient to explain the measurement model being tested. The indicator group that measures a variable has good composite reliability if it has a composite reliability of  $\geq 0.7$  even though it is not an absolute standard.

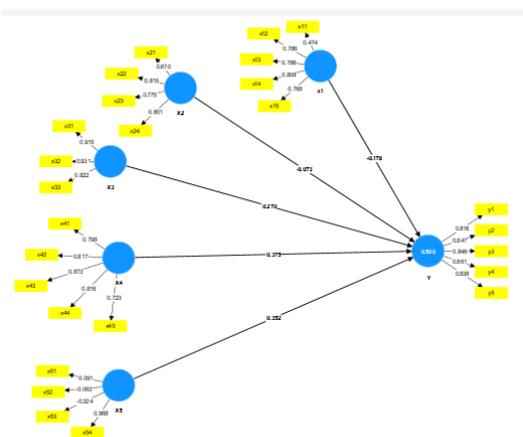
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Keputusan pengambilan pembiayaan oleh nasabah	0.897	0.900	0.709

The table above shows that the composite reliability value of all latent variables is greater than 0.7, and only one variable has a composite reliability value of less than 0.7. These results indicate that all latent variables have good composite reliability and one variable has poor composite reliability. Based on the table above, shows that the cronbach alpha value of all latent variables is greater than 0.7 but one variable has a cronbach alpha value less than 0.7 so all latent variables are said to be reliable and one variable is not reliable.

Results of structural model analysis (Inner Model)

In this study, the R-square value was tested which was used to explain how to measure the level of variation of changes in the independent variable to the dependent variable. the effect of certain exogenous latent variables on endogenous latent variables. The higher the R2 value, the better the model predicts the research object. The structural model of this research can be seen in the following figure:



The influence of service quality, promotion, customer knowledge, religious obligations, and pricing on customer financing decisions has an R<sup>2</sup> or R Square value of 0.500. If the R<sup>2</sup> value is 0.75 it indicates a model that is built substantially or strongly, if it 0.5 it indicates a model that is built moderately and 0.25 it indicates a weak model. (Ghozali 2016). From the results of data processing in this study, the R<sup>2</sup> value is shown in the following table:

R Square Value Table

	R-Square
Y	0.500

Based on the table above, shows that the results of the R-square test for the dependent variable Customer financing decisions (Y) are equal to 0.500, meaning that the relationship model built is moderate. The acquisition of this value explains that the percentage of the magnitude of customer financing decisions can be explained by service quality, promotions, customer knowledge, religious obligations, and pricing..

Test the path coefficient hypothesis

This hypothesis test is a causality analysis conducted to determine the relationship between variables. Causality analysis can be used to determine the effect that occurs between exogenous variables and endogenous variables. Exogenous variables are stated to have a significant effect on endogenous variables if the p-value (probability) ≤ 0.05.

Table of Hypothesis Test Results

Hubungan	Original sample	Sample mean	Standard deviation	T statistics	P values	Keterangan
Kualitas layanan -> Keputusan pengambilan pembiayaan oleh nasabah	-0.178	-0.118	0.123	1.453	0.146	Tidak Diterima
Promosi -> Keputusan pengambilan pembiayaan oleh nasabah	-0.073	-0.055	0.083	0.883	0.377	Tidak Diterima
Customer Knowledge -> Keputusan pengambilan pembiayaan oleh nasabah	0.270	0.251	0.113	2.385	0.017	Diterima
Kewajiban Beragama -> Keputusan pengambilan pembiayaan oleh nasabah	0.375	0.346	0.121	3.108	0.002	Diterima
Penetapan Harga -> Keputusan pengambilan pembiayaan oleh nasabah	0.352	0.344	0.159	2.221	0.026	Diterima

Hypothesis testing is intended to test the effect of an independent variable on a dependent variable or the effect of a dependent variable on other dependent variables. In other words, we want to test the significance of the influence of a variable that affects another variable that is affected. In the results of this research table, the significance level used is 5%.

First Hypothesis (H1)

The table above shows that the value obtained is 0.146, which means service quality does not have a significant effect on customer financing decisions with an original sample value of -0.178 which is negative, meaning service quality has a negative effect on customer financing decisions..

Second Hypothesis (H2)

The table above shows that the value obtained is 0.377, which means that promotion has no significant effect on customer financing decisions with an original sample value of -0.073 having a negative value, meaning that promotion has a negative effect on customer financing decisions.

Third Hypothesis (H3)

The table above shows that the value obtained is 0.017, which means that customer knowledge has a significant effect on customer financing decisions with an original sample value of 0.270 having a positive value, meaning that customer knowledge has a positive effect on customer financing decisions. The greater the customer knowledge, the greater the customer's financing decisions.

Fourth Hypothesis (H4)

The table above shows that the value obtained is 0.002, which means that religious obligations have a significant effect on customer financing decisions with an original sample value of 0.375 having a positive value, meaning that religious obligations have a positive effect on customer financing decisions. The greater the liability, the greater the customer's financing decisions.

#### Fifth Hypothesis (H5)

The table above shows that the value obtained is 0.026, which means that pricing has a significant effect on customer financing decisions with an original sample value of 0.352 having a positive value, meaning that customer knowledge has a positive effect on customer financing decisions. The greater the pricing, the greater the customer's financing decisions.

## V. Discussion

### Effect of Service Quality on Customer Financing Decisions

The results show that service quality does not affect financing decisions by customers. Based on the results of the answers from the respondents, it was explained that when BTM Amman Magelang employees were responsible for each customer from start to finish, were able to serve quickly and precisely, were able to communicate, guarantee the confidentiality of every transaction, and have good knowledge and skills regarding products sold and other general knowledge does not affect customers in taking financing at BTM Amman. This is in line with the Theory of Planned Behavior are the intention that arises from the individual to behave and the intention is caused by several internal and external factors from the individual, and the intention to perform a behavior is influenced by attitudes, subjective norms, and perceptions of control behavior. This result is not in line with previous research by (Lenggo Ghenisa and Setyawati Dewanti 2020) which explains that service quality has a positive effect on the decision to become a customer. If the consumer's needs are felt to have been fulfilled even more than expected, it will create higher consumer interest. Customer satisfaction has benefits, including creating repeat purchases, can lead to customer loyalty, increasing harmonious relationships between companies and customers, and allows word of mouth recommendations that can benefit the company so that people's interest in buying using the company's products is even higher.

### The Effect of Promotion on Customers Financing Decisions

The results show that promotions do not affect the financing decisions of customers. Based on the results of the answers from the respondents, it was explained that when BTM Amman Magelang carried out promotions through personal selling, mass selling (media promotions), sales promotions, and public relations it did not affect customers in taking financing at BTM Amman. This is in line with Theory of Planned Behavior are the intention that arises from the individual to behave and the intention is caused by several internal and external factors from the individual and the intention to carry out behavior is influenced by attitudes, subjective norms, and perceptions of behavioral control. This result is not in line with previous research by (Wardiyanti and Jayanto n.d.) explaining that promotion has a positive effect on the decision to become a customer. This indicates that promotions are carried out in a good way so as to produce a positive attitude from customers towards banking which in turn influences customers to make planned behavior, namely the decision to use the product.

### The Influence of Customer Knowledge on Customer Financing Decisions

The results show that customer knowledge has a positive and significant effect on customer financing decisions. Because the more customer knowledge about the characteristics or attributes of products/services, the benefits of products/services, and the satisfaction provided by products/services to customers, the greater the financing decisions by customers, will cause the demand for financing by customers will be even greater. This is in line with Theory of Planned Behavior are the intention that arises from the individual to behave and the intention is caused by several internal and external factors from the individual and the intention to carry out behavior is influenced by attitudes, subjective norms, and perceptions of behavioral control. These results are in line with previous research by (Abdul Aziz, Rokiah, and Ahmad Azrin 2012) explaining that non-Muslims from the age group between 19-35 years and highly educated have better knowledge and understanding of products and services. Syariah banking. This is due to the wider exposure of news and information from various sources.

### The Effect of Religious Obligations on Customers' Financing Decisions

The results show that religious obligations have a positive and significant effect on financing decisions by customers. The more customers who are aware of muamalah law regarding sharia financing that is free from usury following the Qur'an and Sunnah, the greater the customer's financing decisions.

This is in line with Theory of Planned Behavior are the intention that arises from the individual to behave and the intention is caused by several internal and external factors from the individual and the intention to carry out behavior is influenced by attitudes, subjective norms, and perceptions of behavioral control. This result is in line with previous research by (Atal et al. 2022) which explains the importance of social influence and religious obligations in shaping the

attitude of Muslims toward murabaha financing. In addition, the results of the study show that social influence and attitudes have a positive effect on the intention of Muslims to use Murabahah financing. This study also expands the TRA theory by adding variables, and the results of the study show that in addition to social influences, religious obligations also affect attitudes in the context of murabaha financing.

#### Effect of Pricing on Customer Financing Decisions

The results show that pricing has a positive and significant effect on customer financing decisions. Because the pricing for each financing product at BTM Amman Magelang is in accordance with sharia law in the Qur'an and Sunnah. Even though these prices are still more expensive than the interest on conventional loans, the prices for Islamic financing are still reasonable. So the cheaper the financing price that is set without violating sharia law, the more customers will be interested in using sharia financing products. This is in line with Theory of Planned Behavior are the intention that arises from the individual to behave and the intention is caused by several internal and external factors from the individual and the intention to carry out behavior is influenced by attitudes, subjective norms, and perceptions of behavioral control. These results are in line with previous research by (Amin et al. 2011) that banks should consider sharia personal financing pricing. There is a need for banks to establish a "fair pricing policy practice." Considering "payment holidays" and "lower rates for fixed Islamic financing regimes" are important approaches that can be added to the list of existing bank policies for Islamic private financing. Allowing variable interest rate financing policies for Islamic private financing could help promote the practice of equity pricing of financing facilities in Islamic banks.

## VI. CONCLUSION and RECOMMENDATIONS

### Conclusion

Based on the description and analysis put forward regarding the financing decision by the customer, it can be concluded that:

Variables of service quality and promotion do not affect customer financing decisions while the variables of customer knowledge, religious obligations, and pricing have a positive and significant effect on customer financing decisions. The results of this study are following the Theory of Plan Behavior, namely the intention that arises from the individual to behave and the intention is caused by several internal and external factors from the individual, and the intention to carry out behavior is influenced by attitudes, subjective norms, and perceptions of behavioral control.

### Recommendations

For BTM, it is hoped that they will pay attention to setting the price of financing and socializing with customers about sharia financing products so that customer knowledge about sharia financing products is wider and convincing customers to use financing products. sharia that is free from usury in accordance with the rules written in the Al-Qur'an and Hadist.

For future researchers, it is hoped that they will conduct research that does not only focus on one institution so that the scope can be wider and it is hoped that more than 100 respondents will be used. a similar study analyzed using the AMOS/LISERL SEM.

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