

## THE EFFECT OF PRODUCT QUALITY ON CUSTOMERS' DECISION TO CHOOSE HOME OWNERSHIP LOAN (KPR) FINANCING AT BANK BTN SYARIAH MEDAN BRANCH OFFICE

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### ABSTRACT

*Sharia financing with a more certain installment amount makes it one of the people's interests to take out a mortgage at Bank BTN Syariah Medan Branch Office. The question in this research is, is the quality of Sharia financing products with more definite installment amounts able to influence customers' decisions when choosing Home Ownership Credit (KPR) at Bank BTN Syariah Medan Branch Office? The method used in this research is quantitative, with a sample of 41 respondents. This research shows that the product quality variable significantly influences the decision to occupy a house at Bank BTN Syariah Medan Branch Office. This is also proven by the Product Quality Variable (X) having a tcount of 4.781 with a significance level of 0.006 and a ttable of 1.682 with df = 41 at the 0.05 level. The significance level is less than 0.05. The coefficient of determination results shows that 63.7% of location variables can influence the decision variable to occupy a house, and other variables outside the research discussion influence the remaining 36.3%.*

**Keywords:** : Product Quality, Home Purchase Decisions, and Credit Home Ownership

### ABSTRAK

Pembiayaan syariah dengan jumlah angsuran yang lebih pasti menjadikan salah satu minat masyarakat untuk mengajukan KPR di Bank BTN Syariah Kantor Cabang Medan. Pertanyaan dalam penelitian ini adalah, apakah kualitas produk pembiayaan syariah dengan jumlah angsuran yang lebih pasti mampu mempengaruhi keputusan nasabah dalam memilih Kredit Pemilikan Rumah (KPR) di Bank BTN Syariah Kantor Cabang Medan? Metode yang digunakan dalam penelitian ini adalah kuantitatif, dengan jumlah sampel sebanyak 41 responden. Hasil penelitian ini menunjukkan bahwa variabel kualitas produk berpengaruh signifikan terhadap keputusan menempati rumah di Bank BTN Syariah Kantor Cabang Medan. Hal ini dibuktikan pula dengan Variabel Kualitas Produk (X) memiliki nilai thitung sebesar 4,781 dengan tingkat signifikansi 0,006 dan ttabel sebesar 1,682 dengan df = 41 pada taraf 0,05. Tingkat signifikansi tersebut lebih kecil dari 0,05. Hasil koefisien determinasi menunjukkan bahwa 63,7% variabel lokasi mampu mempengaruhi variabel keputusan menempati rumah, sedangkan sisanya sebesar 36,3% dipengaruhi oleh variabel lain di luar pembahasan penelitian.

**Kata Kunci:** Kualitas Produk, Keputusan Pembelian Rumah, dan Kredit Kepemilikan Rumah

## INTRODUCTION

The banking sector plays a vital role in Indonesia's economy, with Islamic banks as one of the main pillars supporting sustainable economic growth. Islamic banks are here to meet the community's needs for financial services that follow Islamic principles (Putra Harahap and Dewi 2021) As a financial institution that prioritizes the principle of fairness and is based on risk sharing, Islamic banks function as lenders and agents that play a role in creating inclusive economic development. Through the real sector, MSMEs, and zakat management, Islamic banks make a significant contribution to equitable economic growth, support community welfare, and strengthen monetary stability (Setiawan et al. 2022; Harniati, Asnaini, and Muttaqin 2022; Viky et al. 2023)

Indonesia's Islamic banking industry, including the Sharia State Savings Bank (BTN Syariah), is experiencing rapid development. This is in line with the increasing public awareness of the advantages of the financial system based on Sharia principles. One of the flagship products of Islamic banks is Home Ownership Loans (KPR), which offer opportunities for people, especially those with low incomes, to have decent housing. Sharia mortgage products at Bank BTN Syariah are designed with various flexible schemes to meet the needs of the community, including a subsidy scheme that helps underprivileged people obtain access to home financing (Rachman and Pebriyanti 2024a; Rochman, Triasih, and Abib 2017)

KPR has a strategic role in providing access to people to own a house, which is one of the basic needs. This product not only meets customers' personal needs but also supports the government in achieving the goal of the Million Houses program. The subsidy programs provided by Islamic banks, including BTN Syariah, are critical in reducing the financial constraints often faced by low-income people in obtaining a house (Umar 2023) With various products and financing options, people can choose a mortgage that suits their financial condition and reduces the economic burden of buying a house.

In this context, the quality of mortgage products offered by Bank BTN Syariah is a decisive factor in influencing customers' decisions regarding home financing. Product quality includes various dimensions, including physical evidence of the product, reliability, responsiveness, assurance, and concern for the customer, all of which affect consumer perceptions and decisions. In this case, the customer (Rachman and Pebriyanti 2024b) Research shows that high-quality mortgage products, which are managed transparently and meet customer needs, can increase customer satisfaction levels and lead to long-term loyalty (Rukmayanti and Fitriana 2022) Good product quality plays a significant role in creating customer trust in banking institutions and ensuring the success of these products in the market.

However, Bank BTN Syariah faces challenges in maintaining the quality of mortgage products, especially related to customers' understanding of Sharia financing. Clear education on the principles and procedures of sharia financing is essential to help customers make well-informed decisions. Research shows that a low knowledge of Sharia mortgage products can lead to confusion and uncertainty in decision-making (Habriyanto, Ridho, and Amida 2023) Therefore, effective communication from banks and increased customer knowledge about Sharia financing can increase trust and influence customers' decisions to choose the products offered.



BTN Syariah, as one of the leading Islamic banking institutions in Indonesia, implements various strategies to maintain and improve the quality of its products. One important strategy is effective marketing, either directly or indirectly, to increase the accessibility of products to the public (Rachman and Pebriyanti 2024b) BTN Syariah must also ensure that the mortgage products remain competitive according to Sharia principles when facing macroeconomic challenges, such as inflation and interest rates, and maintaining customer trust while meeting their expectations for transparent and fair banking products (Rochman, Triasih, and Abib 2017)

The quality of mortgage products Bank BTN Syariah offers significantly impacts customers' financing decisions. In the Islamic financing system, which prioritizes accountability and transparency, product quality is seen from a functional point of view, and trust is built between banks and customers. This trust is the primary basis for creating a long-term, mutually beneficial relationship between banks and customers (Mulyani 2020) Therefore, the sound quality of mortgage products and an adequate understanding of Sharia products are essential in creating customer satisfaction and influencing their decision to choose financing products at Bank BTN Syariah.

Seeing the importance of product quality factors in customers' decisions to choose mortgages, this study aims to analyze how the quality of mortgage products offered by Bank BTN Syariah affects customers' decisions in choosing home financing. This research is expected to provide insights for banks to continue improving the quality of their mortgage products and better educate customers about their products. Thus, this research will contribute to a deeper understanding of the factors that affect customers' decisions in choosing mortgage financing at Islamic banks, especially at Bank BTN Syariah Medan Branch Office.

## METHOD

The research methodology employed in this study is quantitative in nature. This approach is considered partially scientific as it adheres to established scientific principles, which include being concrete/empirical, objective, measurable, rational, systematic, and replicable/repeatable. The dependent variable under examination is the Customer's Decision to Choose Credit Financing (Y), while the independent variable encompasses Product Quality (X). The total population for this investigation comprised 600 respondents, and the sampling technique applied was based on the Slovin formula, resulting in a sample size of 41 respondents. The data sources utilized in this research consist of primary data (data acquired directly) and secondary data (data gathered indirectly), with data collection methods involving interviews (conducting face-to-face interviews with respondents), questionnaires (administered to respondents for completion of detailed inquiries), and documentation.

## RESULTS AND DISCUSSION

This investigation was conducted at the Bank Syariah Medan Branch Office. Sharia-compliant banking institutions are financial entities that function in accordance with the principles of Islamic Sharia, adhering to the guidelines established in Islamic doctrine. The



participant sample for this inquiry comprised 41 individuals who consented to partake in interviews and complete a distributed questionnaire. Subsequent to the distribution of the questionnaire, the acquired data were organized systematically according to the predetermined characteristics of the respondents. Moreover, the amassed data were subjected to analysis utilizing SPSS version 25.0 software.

### Validity Test

In the assessment of validity, a statement item or indicator is deemed valid provided that the calculated r-count exceeds the critical r-table value and possesses a positive magnitude. Specifically, the statement is considered valid if the r-count is greater than the r-table at a significance threshold of 5%. Below, a concise summary of the outcomes derived from the calculations of the validity test is presented:

**Table 1. Product Quality Validity Test Results (X)**

Statement Items	R-count	R-table	Information
Butir Item 1	0.531	0.196	Valid
Butir Item 2	0.893	0.196	Valid
Butir Item 3	0.911	0.196	Valid
Butir Item 4	0.927	0.196	Valid
Butir Item 5	0.611	0.196	Valid
Butir Item 6	0.629	0.196	Valid
Butir Item 7	0.710	0.196	Valid

**Table 2. Results of the Validity Test of Customer Decisions (Y)**

Statement Items	R-count	R-table	Information
Butir Item 8	0.573	0.196	Valid
Butir Item 9	0.429	0.196	Valid
Butir Item 10	0.531	0.196	Valid

### Reliability Test

Reliability assessments are performed to evaluate the degree to which research instruments exhibit trustworthiness and consistency, thereby ensuring their reliability. An instrument is deemed reliable if the value of Cronbach's Alpha exceeds 0.60. The outcomes of the reliability assessment are presented in the subsequent table:

**Table 3. Reliability Test Results**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.805a	.648	.637	.36180

#### a. Predictors: (Constant), Product Quality (X)

According to the findings presented in Table 3, it can be observed that every assertion pertaining to the Product Quality and Customer Decision variables possesses a Cronbach's Alpha ( $\alpha$ ) coefficient exceeding 0.60. Consequently, it can be inferred that all assertions employed in this research are dependable for the measurement of variables related to purchase decisions.



## Uji Hipotesis

### 1. Partial Test

This research employs a partial t-test to ascertain whether there exists a statistically significant relationship between the independent variables (X) and the dependent variables (Y) on an individual basis. The findings of the analysis demonstrate that the calculated t-value surpasses the critical t-value, specifically  $2.881 > 1.682$ , with a significance level of 0.004. This suggests that the variable of Product Quality exerts a positive and statistically significant effect on customers' decision-making processes regarding the selection of home financing options on credit.

### 2. Coefficient of Determination Test ( $R^2$ )

The coefficient of determination test ascertains the extent to which the independent variable (X) exerts influence over the dependent variable (Y) in this research. Presented below are the findings pertaining to the coefficient of determination:

**Table 4. Determination Coefficient Test Results ( $R^2$ )**

Variable	Cronbach's Alpha	N of Item	Information
Product Quality	0.820	7	Reliable
Customer Decision	0.937	3	Reliable

Upon analysis of Table 4, it is evident that the coefficient of determination ( $R^2$ ) indicates an Adjusted R Square value of 0.637 or 63.7%, signifying that the variation in the Customer Decision variable (Y) can be elucidated by the Product Quality variable (X), while the residual 36.3% can be attributed to extraneous variables beyond the scope of this study. The findings of the research reveal that the Product Quality variable (X) exhibits a t-count value of 2.881, accompanied by a significance level of 0.004, and a t-table value of 1.682 with degrees of freedom (df) equal to 41 at the 0.05 significance level. Given that the significance level is inferior to 0.05, it follows that the null hypothesis ( $H_0$ ) is rejected in favor of the alternative hypothesis ( $H_1$ ), thereby concluding that the Product Quality variable (X) exerts a statistically significant influence on Customer Satisfaction (Y). Furthermore, the assessment of the determination coefficient ( $R^2$ ) corroborates that the Adjusted R Square value remains at 0.637 or 63.7%, thereby indicating that the variation in the Home Purchase Decision variable (Y) can likewise be accounted for by the product quality variable (X), with the remaining 36.3% being elucidated by other variables not encompassed within the research framework.

The findings of the present investigation indicate that the quality of the offerings provided by Bank BTN Syariah exerts a substantial influence on the decision-making processes of customers when selecting Home Ownership Loan (KPR) financing. These results align with prior research that underscores the significance of product quality in attracting clientele to financial services (Rachman and Pebriyanti 2024b). The assessment of product quality within the realm of Islamic banking—evaluated through the dimensions of tangible elements, dependability, responsiveness, assurance, and attentiveness—profoundly impacts consumer decisions, as evidenced by a study conducted by (Kennedy,





Juliana, and Utami 2020) which posits that the caliber of Islamic banking services is intricately linked to customer satisfaction and loyalty.

The high quality of the products, such as those managed by Bank BTN Syariah, serves as a factor that strengthens customer trust in the institution, which in turn influences their decision to choose mortgage financing. In previous research, (Rachman and Pebriyanti 2024b) also found that well-managed and transparent banking products can create customer loyalty and increase customer satisfaction with the services provided. These findings support the results of this study, which shows that product quality has a positive and significant influence on customers' decisions when choosing mortgage products at Bank BTN Syariah.

However, although product quality has a significant influence, other factors beyond product quality also influence customer decisions, which is reflected in the results of the determination coefficient, which shows that different variables can explain 36.3% of customer decisions. Research conducted by (Mahardika and Khasanah 2024) found that macroeconomic conditions, such as inflation and interest rates, significantly impact financing decisions, including mortgages. This study confirms that although product quality is essential, external factors such as economic stability also affect customers' decisions in choosing mortgage products.

In addition, customers' understanding of Sharia financing products also affects their decisions. This is in line with research conducted by (Habriyanto, Ridho, and Amida 2023), which states that the level of customer understanding of Sharia principles can affect their decision in choosing financing products. Bank BTN Syariah, which offers Sharia mortgage products, must educate customers about the product's principles because a good understanding will increase customer trust (Suhaidi 2022; Fathimah 2023) Proper education about sharia financing can help customers make more informed decisions and reduce product uncertainty.

Meanwhile, research by (Putri and Martana 2021) shows that flexibility in mortgage financing schemes is also an important factor in customer decisions. This research reveals that mortgage products that offer various financing options that suit the customer's ability and needs are more attractive to consumers. This is in line with the findings of this study, which show that product quality, which includes aspects such as reliability and responsiveness, directly affects customers' decisions when choosing mortgage financing.

In the context of Bank BTN Syariah, which is known for its subsidized mortgage products, the quality of products and services is a decisive factor in attracting customers, especially low-income people. Previous research by (Rachman and Pebriyanti 2024b) emphasized that Islamic banks play an essential role in improving access to home financing for low-income people, a significant contribution to meeting the housing needs of people in Indonesia. Therefore, Bank BTN Syariah needs to continue to improve the quality of mortgage products and innovate in services to ensure that customers are satisfied with the services provided and remain loyal to using their products.

Overall, the results of this study show that the quality of mortgage products offered by Bank BTN Syariah has a significant effect on customer decisions, which has implications



for customer satisfaction and loyalty. In addition, macroeconomic factors, customer understanding of Sharia principles, and product flexibility are essential in customer decisions. These findings provide a more comprehensive picture of the factors influencing customers' decisions in choosing mortgage financing in the Islamic banking sector. They are expected to provide insights for other Islamic banks to improve their services and product quality. With the role of Islamic banks such as Bank BTN Syariah in providing home financing by Sharia principles, the Islamic banking sector in Indonesia can continue to grow and contribute to the community's welfare through more inclusive and fair funding.

## CONCLUSION

Based on the results of this study, it can be concluded that the quality of the products offered by Bank BTN Syariah significantly influences customers' decisions when choosing mortgage financing. High product quality, including reliability, physical proof, responsiveness, assurance, and customer care, significantly improve customer satisfaction and build long-term trust. This finding aligns with previous research, which shows that the quality of Islamic banking services substantially affects customer satisfaction and loyalty and directly impacts customer decisions in choosing Islamic mortgage products.

However, product quality significantly influences other factors, such as customers' understanding of sharia financing products and macroeconomic conditions, which also affect mortgage financing decisions. Clear education on Sharia principles and flexibility in mortgage financing schemes influence customer decisions. Therefore, Bank BTN Syariah needs to continue improving the quality of products and services and provide adequate education to customers about the products offered to ensure they make more informed decisions and remain loyal to the mortgage products.

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