The Effect of Knowledge and Service Quality on Public Preference in Sharia Bank in Riau Province

Ficha Melina, Mohammadtahir Cheumar, Yusuf Haji-Othman

Sultan Abdul Halim Mu'adzam Shah International Islamic University (UniSHAMS), 09300, Kuala Ketil, Kedah, Malaysia

Abstract
Islamic banks in Indonesia are experiencing rapid growth and demonstrating promising trust. This development can be seen from the standpoint of the national Islamic banking market. Riau Province is one of Sumatra's provinces where the majority of the inhabitants are Muslims. The objective of this study was to discover how knowledge and service quality affect people's preferences for Islamic banks in Riau Province. The sampling technique used was proportionate stratified random sampling, while the data collection technique used was a questionnaire. To analyze the data, the descriptive quantitative method was employed. In analyzing quantitative data, Partial Least Squares–Structural Equation Modeling (PLS-SEM) was used with a total sample of 384 people. The findings of this study show that the significant value in the first hypothesis test (H1) is 0.000< 0.05 or less than 5%, implying that the positive path coefficient value suggests that knowledge has a significant positive effect on preference. Based on the results of the tests, it was determined that the first hypothesis was accepted. Meanwhile, the Second Hypothesis Test (H2) has a significant value of 0.000 < 0.05 or less than 5%, indicating that the path coefficient value is positive and that Service Quality has a significant positive effect on Preference. In other words, the second hypothesis is accepted.
Keywords: Knowledge, Service Quality, Preference, Islamic Banks

Introduction
        Islamic banking has been regulated in detail by Law No. 21 of 2008, which states that "Sharia banking is everything related to Islamic banks and Islamic business units, which includes institutions, business activities, and methods and processes in carrying out their business activities." This law controls the financial system based on Sharia principles, opening up several opportunities for Sharia banking to carry out its business activities, and allowing Sharia banking to compete with conventional banks freely that have existed since Indonesia's independence (Muhammad, 2002).
        Islamic banks in Indonesia are rapidly expanding and demonstrating a promising trust. This development can be seen from the standpoint of the national Islamic banking market. However, when compared to the potential that should be realized, this gain in market share

is still far from its intended value. Indonesia has the world's biggest Muslim population and has the potential for tremendous natural wealth and high levels of investment.

Table 1
Islamic Banking Market in Indonesia Year 2019-2021

Bank Group	Asset (IDR Trillion)		
	2019	**2020**	**2021**
BUS, UUS, BPRS	503,7	575,85	646,21
Percentage (%)	**5,96%**	**6,24%**	**6,52%**

Source: Shariah Banking Snapshot www.ojk.go.id

According to data published on the Financial Services Authority's (OJK) official website, Indonesia's Sharia banking market share has risen in the last three years. In 2019, Sharia banking accounted for 5.96% of total financial assets in Indonesia. Sharia banking's market share was 6.24% in 2020, increased 0.28% from 2019. At the end of 2021, the Sharia banking market share was 6.52% of Indonesia's total financial assets, experienced an increase of 0.28%. According to the data, the performance of Islamic Islamic banking in Indonesia has remained low in terms of market share over the last 3 years, increasing by only 0.28% each year. This phenomenon contradicts Indonesia's Sharia financial industry's potential.

Riau Province is one of the provinces located in Sumatra. The region is close to Jambi, West Sumatra, and North Sumatra. This province has a strategic location because it is adjacent to Singapore and Malaysia, which is beneficial to its economy. This is also a factor in the development of the sharia banking industry in Riau. Furthermore, the majority of the people in this province are Muslim, with a Malay culture identical to Islam, which requires them to undertake commercial and civil acts (muamalat) based on Islamic law through sharia financial institutions. As a result, the enabling circumstances become a driver for the development of sharia banking in Riau. According to Financial Services Authority data in 2020, Pekanbaru has 11 Sharia Bank branch offices, 29 auxiliary branch offices, and 8 Sharia Bank cash offices. This province is also among the top ten provinces in Indonesia in terms of sharia banking assets, with a percentage rate of 1.40%.
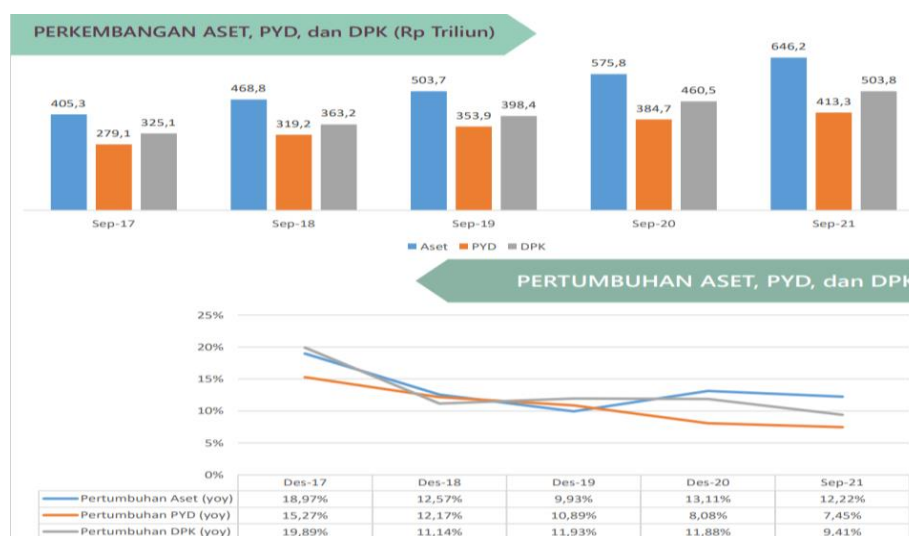

Figure 1. Development and Growth of Indonesian Islamic Banking
Year 2017-2021

Source: Shariah Banking Snapshot www.ojk.go.id

Table 1 above shows the development and growth of Islamic banking in Indonesia. In terms of asset growth, there have been fluctuations throughout the last 5 (five) years; in 2017, sharia banking assets grew by 18.97%, but in 2018, they grew by a lower 12.57%. The asset growth rate for Islamic banking was 9.93% in 2019, 13.11% in 2020, and decreased again in 2021 with asset growth of 12.22%.

According to financing expenses (PYD), Islamic banking grew by 15.27% in 2017, but only 12.17% in 2018. In 2019, the growth of PYD declined by 10.89%; in 2020, the growth of PYD was only 8.08%; and in 2021, the growth of Islamic Banking PYD was only 7.45%.

Third-party funds (DPK) in Islamic banking also decreased; in 2017, DPK was 19.89%; in 2018, DPK only grew by 11.14%; and in 2019, DPK in Islamic Banking was 11.93%. TPF climbed up by 11.88% in 2020 before declining by 9.41% in 2021. Riau Province is one of Indonesia's provinces. According to data from the Financial Services Authority (OJK) in September 2021, Riau Province is included among the 10 (ten) provinces with the largest Islamic banking assets in Indonesia where this province ranks 9th (ninth) Islamic banks with the largest assets.

Table 2
Development of Islamic Banking in Riau Province
Year 2019-2021

The Main Indicator of Shariah Banking	2019	2020	2021
Asset Growth	11,86%	19,68%	32,93%
PYD Growth	18,73%	7,86%	22,01%
DPK Growth	12,93%	15,93%	27,98%

Source: Shariah Banking Snapshot www.ojk.go.id

Table 1.3 above shows the development of Islamic banking in the Riau region from three indicators namely asset growth, channel financing growth (PYD), and third-party fund growth (DPK) from 2019 to 2021 which fluctuates in others. Every year has its ups and downs. The rise of Islamic banking assets in the Riau region in 2019 was 11.86%, with a 19.68% increase in 2020. In 2021, the growth of Islamic banking assets in the Riau region was 32.93%, and became the 9th largest Islamic banking asset in Indonesia.

The Channel Financing Growth (PYD) in 2019 amounted to 18.73% and decreased in 2020. The growth of Islamic banking PYD in the Riau region was only 7.86% and the growth of PYD increased again in 2021 by 22.01%, which means there was fluctuation growth in three years. Based on the rise of Islamic banking third-party funds (TPF), Riau Province has experienced increased growth from 2019 to 2021. In 2019, the TPF in Islamic banking in Riau province increased by 12.93%, followed by a 15.93% increase in TPF growth in 2020, and a 27.98% increase in TPF growth in 2021.

According to (Hamzah, 2021; Ahmed et al., 2016), in his study, one of the causes of low public awareness of doing business with Islamic banks, is public perceptions that each considers Islamic banking to be the same as other conventional banks, and information technology used by banks is the lack of control of the Islamic banking market in Indonesia. Sharia still lags behind conventional banking in terms of human resources or human resources in Islamic banks.

Consumer preference analysis is an examination of what consumers like and dislike, as well as the relevance of a product attribute or the product itself. This preference study will yield an order of importance of product attributes, such as what is the most important or preferred.

According to Lilien et al (Simamora, 2003), numerous steps must be done before consumers develop preferences, including:

a. It is assumed that consumers regard the product as a collection of attributes. Different consumers have distinct perceptions about what attributes are important.
b. The level of importance of attributes varies according to the needs and desires of each. Consumers have different emphases on what attributes are most important.
c. Consumers form a variety of beliefs regarding product placement based on each attribute.
d. The level of consumer satisfaction with the product will vary depending on the differences in qualities.
e. Consumers will form opinions about various brands based on evaluation procedures.

A consumer mindset can form preferences for a variety of reasons, including:

a. Based on previous experience, consumers feel satisfaction in purchasing the product and compatibility in consuming the product they purchased, and the consumer will continue to use or utilize that brand product, resulting in a purchasing choice.
b. A passed down belief that develops as a result of a family's long-term use of a product. These customers are loyal to the products they regularly use because they perceive the benefits of doing so, resulting in customer happiness and usage of the products purchased.

According to (Kotler, 2007) various factors influence consumer preferences while selecting a product, including culture, social, personality, and psychology.

Furthermore, (Howard, 1998) asserts that the five most basic elements impacting client preferences in decision-making are explicitly influenced by five qualities, namely cultural, social, personal, economic, and psychological. Preferences can be defined as a consumer attitude in selecting a product because the product to be eaten is based on the relative level of decision, based on the presence of the brand or stimulation. Additionally, according to (Nugroho, 2013) choices for goods and services are influenced by four factors: culture, society, personality, and psychology. However, based on the theory of preference input formed by these four factors, this is related to the meaning of input which is a stimulus or encouragement felt by the customer, and encouragement can influence the customer's tendency towards something.

This investigation demonstrates, particularly for those directly or indirectly involved in the banking industry, that many members of the Islamic community do not save or do business in Islamic banks because they do not understand and have different, even negative, perceptions of it. Those participating should aim to offer a more comprehensive view to the target audience, which may establish a memorable knowledge in depositing or dealing with Sharia-compliant institutions. As a result, our research will assist in building the groundwork for the formation of an Islamic banking supervisory structure. This would also assist marketers in better understanding the perceptions of Islamic banks and developing strategies to promote Islamic banking products to the people of Riau.

The market share of Islamic banks should be the majority of the Muslim community, particularly Muslims with a rational mind. People who choose to transact in Islamic banking

are supposed to be reasonable thinkers, whereas in this life we must prepare ourselves to meet unanticipated risks that always lurk unnoticed and can happen to individuals at any moment of the family and property owned. While those who can think rationally almost always have a decent educational background, it is possible to claim that a good education encourages people to think rationally.

Literature Review
Knowledge

Consumer knowledge includes all of the information that consumers have about various products and services, as well as additional knowledge about these products and services and information about their roles as consumers. Consumer knowledge can alternatively be defined as "the amount of experience with and information about particular products or services a person has". Concerning the knowledge that respondents should have to prefer saving in Sharia banks, they already know the difference between Sharia banks and conventional banks, the concept of revenue sharing in Sharia savings, whether interest or riba is haram, and whether interest or riba is against religious teachings. Faith and knowledge are the foundations for humanity to internalize and transform the two basic capitals in life.

Service Quality

Service is the activity of providing services from one party to another. Good service is defined as service that is provided in a friendly, fair, timely, accurate, and ethical manner to meet the needs and satisfaction of those who receive it (Pahi et al., 2020). Service quality, according to Lupiyoadi can be described as the distance between reality and the customer's expectations of the service they receive or obtain. The difference between Islamic and traditional service facilities is simply in the process of use, which when businessmen give services in physical form should not promote luxury.

According to Zeithaml, Parasuraman, and Berry (in Sunyoto), there are five dimensions of service quality by applying the gap concept called service quality. The five quality dimensions in question include:

a. The assurance dimension covers the company's ability to arouse customer trust in its products.
b. The dimension of tangibles/physical appearance includes physical appearance/evidence.
c. The reliability dimension covers the company's ability to provide the best service to its customers.
d. The responsiveness dimension covers the company's desire to provide fast and responsive service.
e. The empathy dimension includes a sense of care and personal attention given to customers.

Preference

Consumer preferences are values that consumers observe when making a choice. He will utilize his expectations as a baseline or template for consumer preferences. Consumer expectations are the foundation for why two organizations in the same industry can be judged differently by their customers. Expectations in the context of consumer preferences are often

the customer's estimate or belief about what he will obtain later. According to (Simamora, 2003), consumers must go through numerous processes to form preferences, including:

a) It is assumed that consumers see the product as a set of attributes. Different consumers have different perceptions of what attributes are relevant.
b) The level of importance of different attributes according to the needs and desires of each. Consumers have different emphases on what attributes are most important.
c) Consumers develop several beliefs about product placement on each attribute.
d) The level of consumer satisfaction with the product will vary according to the difference in attributes.
e) Consumers will arrive at attitudes towards different brands through evaluation procedures.

According to Kotler, a person in determining his choice of a product or service is strongly influenced by four factors, namely

a. Cultural Factors

Cultural factors have the widest and deepest influence on a person's behavior. Culture describes the values, ideas, attitudes, and actions of a society.

b. Social Factors

Social factors that influence a consumer are such as a reference group, family, status, and social role. Reference groups cause a person to adopt new behavior and lifestyle, as well as impact a person's conduct and personal concepts, which can influence a person's choice of products and services.

c. Personal Factors

Personal factors are influenced by a variety of circumstances, including age and life stage, work, economy, lifestyle, and personality, which is a unique psychological trait of each individual based on his response to a reasonably consistent environment.

d. Psychological Factors

Psychological factors are basic factors in consumer behavior that include motivation, perception, learning process, and beliefs as well as attitudes. These factors are also a tool for consumers to recognize their feelings, gather and analyze information, formulate thoughts, and opinions, and take action.

Relevant research is a review of previous research findings that is required to sharpen the next study. The past research is as follows

Research by Lestari (2015) entitled *"The influence of religiosity, bank products, trust, knowledge and service on saving preferences in Sharia banking"*, concluded that through a sample of 50 Muslim student respondents from the Faculty of Economics and Business of the University of Brawijaya Malang, it was found that the influence of religiosity, products bank, trust, knowledge and service towards the main preference of saving in sharia banking. Of the five factors, the religiosity factor was found to be a very dominant factor with an eigenvalue of 71.18%.

Research by Edyansyah (2014) entitled *"The influence of service quality and product quality on customer satisfaction at PT. Bank Mandiri (Persero) Tbk (Case Study on Bank Mandiri Lhokseumawe Pendopo Branch)"*, concluded that from the results of partial testing,

it was found that the two independent variables namely service quality and product quality partially influence customer satisfaction at Bank Mandiri For simultaneous testing, service quality and product quality have a significant effect on customer satisfaction at Bank Mandiri Lhokseumawe Pendopo Branch due to the value of F_{count} (56.558) > F_{table} (3.09). The most dominant variable affecting customer satisfaction is service quality.

Research by Ananggadipa (2013) entitled *"Analysis of factors that influence customers (students) in choosing to save in Sharia banks"*, concluded that factors such as knowledge, religiosity, products, reputation, and service in Sharia banks have a positive influence on the decision to choose to save in a Syariah Bank, although not significant.

Research Method

The author conducted quantitative research for this study. Quantitative methods are data in the form of numbers or numbers (Bisri 2013:12). In this study, the population of Riau Province is 6,735,329 people. From the amount above, the author did sampling. The number of samples is determined based on the Krejcie-Morgan formula, as follows (Sanusi, 2017)

$$n = \frac{X^2 NP (1-P)}{d^2 (N-1) + X^2 P (1-P)}$$

$$n = \frac{(3,84)(6.735.329)(0,5)(1-0,5)}{(0,05)^2 (6.735.329)+(3,84)(0,5)(1-0,5)}$$

n = 383.97 => 384

Thus, in this study, the sample size when rounded is 384 people.

Descriptive statistical analysis was performed using SPSS 22 software. This research used Partial Least Squares-Structural Equation Modeling (PLS-SEM). Hair et al (2011) in Ghozali (2021) recommend using PLS-SEM if the research is an exploration or extension of the existing structural theory, namely TAM in the context of this research. The evaluation of the PLS-SEM model according to Ghozali (2021) was done by evaluating the outer model and inner model.

Results and Discussion

Smart Partial Least Squares (Smart PLS) was used to analyze the data in this study because it is suitable for estimating path models that use latent constructs with numerous indicators and can help to obtain latent variable values for prediction purposes. In smart PLS, evaluation is divided into two parts: outer model evaluation (measurement model) and inner model evaluation (structural model).

1. **Evaluation of the Measurement Model (Outer Model)**

Evaluation of the measurement model is used to assess the correlation between constructs and their indicators. It is divided into two stages: convergent validity, which is evaluated using validity indicators, construct reliability, and average variance extracted (AVE) values, and discriminant validity, which is evaluated by looking at cross-loading values and then comparing correlations between constructs with the root AVE. The following is an analysis and evaluation of the measurement model (outer model) in the picture of the calculated PLS algorithm results.

a. Convergent Validity

Convergent validity measures the compatibility between variable measurement results indicators and theoretical concepts that explain the existence of variable test indicators. Convergent validity is connected to the theory that construct indicators should be closely correlated. The convergent validity test can be assessed in two stages: outer loadings and average variance extracted (AVE). Outer loadings are tables that demonstrate the size of the correlation between indicators and latent variables by containing loading factors. The loading factor must be more than 0.7 to be considered valid. Output outer loadings can be obtained from PLS Algorithm Report SmartPLS.

Indicators that measure the construct are presented in the strip diagram in the picture below:
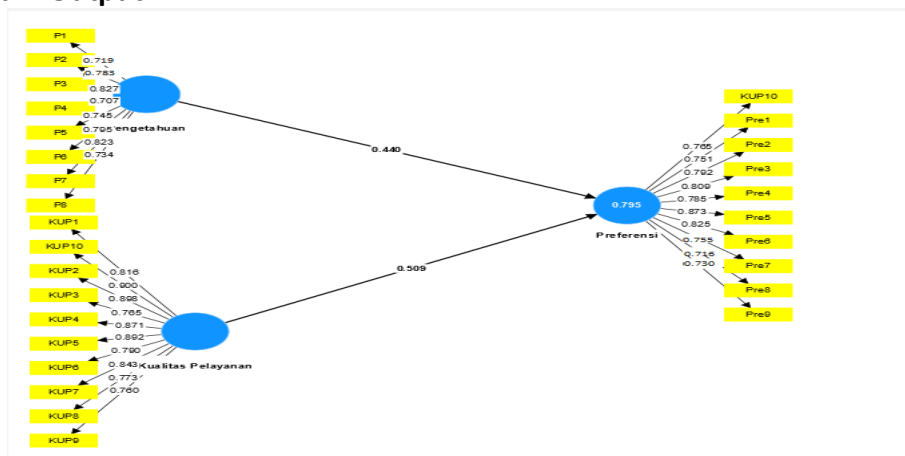
Strip Diagram Output

Table
Outer loading

	Kualitas Pelayan	The Service Quality	Knowledge	Preference
KUP1	0.816			
KUP10	0.765			
KUP10	0.900			
KUP2	0.898			
KUP3	0.765			
KUP4	0.871			
KUP5	0.892			
KUP6	0.790			
KUP7	0.843			
KUP8	0.773			
KUP9	0.760			
P1		0.719		
P2		0.783		
P3		0.827		
P4		0.707		
P5		0.745		
P6		0.795		
P7		0.823		
P8		0.734		
Pre1			0.751	
Pre2			0.792	
Pre3			0.809	
Pre4			0.785	
Pre5			0.873	
Pre6			0.825	
Pre7			0.755	
Pre8			0.716	
Pre9			0.730	

After re-estimation, the output of the path diagram and outer loading table above shows that each indicator has a loading factor value. All indicators exhibit a positive correlation with each latent variable, and each indicator's loading factor is more than 0.7, which is considered fairly high. These findings suggest that each of these indicators can be used to accurately assess latent variables.

b. Composite reliability and average variance extracted (AVE)

Validity and reliability criteria can also be seen from the reliability value of a construct and VE) of each construct. A good construct is when it has a high-reliability value, which is above 0.70 and AVE is above 0.50. The following are the results of composite reliability and AVE testing on all variables

Table
Value composite reliability and AVE

	Cronbach's alpha	Keandalan komposit (rho_a)	Keandalan komposit (rho_c)	Rata-rata varians diekstraksi (AVE)
Kualitas Pelayanan	0.950	0.954	0.957	0.693
Pengetahuan	0.876	0.889	0.902	0.539
Preferensi	0.915	0.926	0.929	0.570

Based on the table above, it is feasible to conclude that all constructs meet their reliable criteria. This is demonstrated by composite reliability values greater than 0.70 and average variance extracted (AVE) greater than 0.50. Based on the data shown above, it is concluded that the construct has a good reliability value.

Structural model testing results (inner model)

The structural model (inner model) is evaluated by looking at the value of the parameter coefficient of the relationship path between the latent variables. Structural testing (inner model) is done after the model in the relationship built in this research, which is by the observation data and the suitability of the model as a whole (goodness of fit model). The structural relationship model will be tested to determine the relationship among the latent variables in this study. The structural and hypothesis model testing is done using the smart PLS output by looking at the path coefficient estimation values and critical point values (t-statistics) that are significant at p-value < 0.05. The following image shows the structural model of this research:
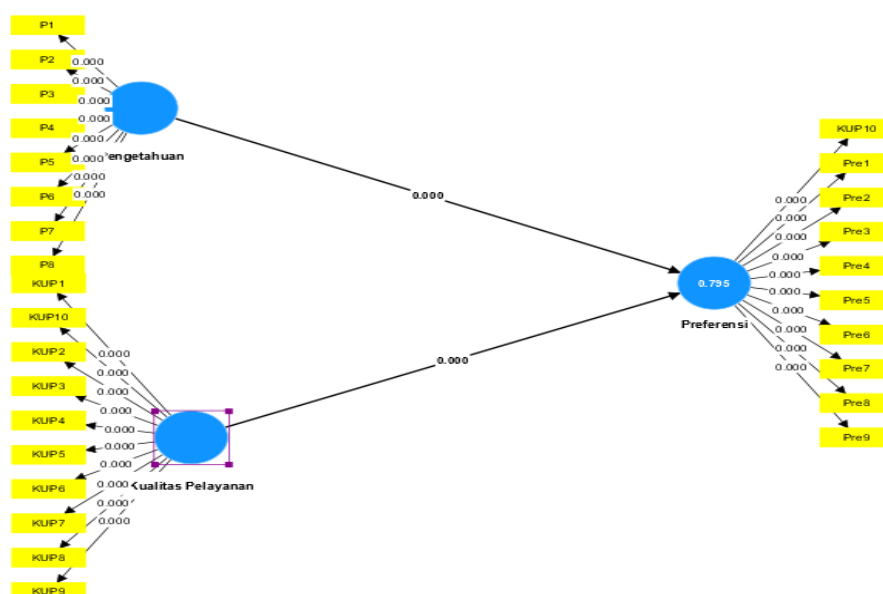

Figure 3. Structural model (inner model) of smart PLS bootstrapping output

Path effect coefficient testing

The hypothesis testing is performed on the direct path effect coefficient between Knowledge, Service Quality, and Preference variables. The following structural model (inner model) shows the results of the direct path effect

1)   Testing the First Hypothesis (H1). With a significant value of 0.000 < 0.05 or less than 5%, the positive path coefficient value suggests that knowledge has a significant positive effect on preference. Based on the test results, it is feasible to conclude that the first hypothesis is accepted.

2)   Testing the Second Hypothesis (H2). With a significant value of 0.000 < 0.05 or less than 5%, the positive path coefficient value suggests that service quality has a significant positive effect on preference. Based on the test results, it is feasible to conclude that the second hypothesis is correct.

Conclusion

In conclusion, the significant value in the first hypothesis test (H1) is 0.000< 0.05 or less than 5%, implying that the positive path coefficient value suggests that knowledge has a significant positive effect on preference. Based on the results of the tests, it is determined that the first hypothesis is accepted. Meanwhile, the Second Hypothesis Test (H2) has a significant value of 0.000 < 0.05 or less than 5%, indicating that the path coefficient value is positive and that

Service Quality has a significant positive effect on Preference. Based on the findings of the test, the second hypothesis is accepted.

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