



The Effect of Service Quality toward Customer Satisfaction in a Sharia Pawnshop (Case Study on a Sharia Pawnshop in Jambi Province)

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ABSTRACT

Purpose: This research analyzes the business phenomenon of PT. Pegadaian Syariah (Persero) Tbk. in Jambi province, in which the problem is how to build customer satisfaction to achieve the company goal. This research is designed to analyze the effect of service quality on customer satisfaction. This research aims to find answers to the flow of service quality performance. In addition, the modeling in this study also aims to provide a critical understanding of the concept and measurement of customer relationship management.

Design/Method/Approach: This research used a descriptive analysis approach and a quantitative method to test the variables by using hypothesis testing. The research subjects were 110 customers of PT. Pegadaian Syariah (Persero) Tbk. of Jambi Province. To analyze the data, researchers used the Structural Equation Model (SEM) by using Amos 22 computer program.

Findings: The results showed that service quality had a positive and significant effect on customer satisfaction. This study provides a contribution that strengthens the justification of previous research in which this research develops the effect of service quality by expanding the study on customer satisfaction.

Originality/Values: The novelty of the study is identified from the issue which is studied consistently and the place of the research.

INTRODUCTION

The sharia system has a mission to prevent the practice of bonded labor, usury, other improper debts, and to improve the welfare of the community, especially for the lower middle class (Article 7 PP No.103 of 2000).¹ The Bank Indonesia² states that in realizing the stability of the sharia economic system and its benefits to the economy, this bank encourages the creation of a sharia financial system that can entirely use the sources of funds regulated in sharia and carrying it out in a way and for good purposes. The Sharia Pawn Service Unit is the first step towards a special division that deals with sharia business activities. The operational mechanism of the sharia pawnshop refers to the modern administrative system, which is the principles of rationality, efficiency, and effectiveness that are aligned with Islamic values that have different management from conventional pawning businesses. The Sharia pawnshops have functions in operation, those run by Sharia Pawn Service Units (ULGS) as a unit of an organization under the guidance of other business divisions of the pawnshop company.³

It is believed that operational mechanisms following the Islamic economic system in financial institutions are an alternative that has advantages for customers, banks, and non-bank financial institutions to avoid usury. However, the problems that occurred in reality did not stop there because the market competition situation is increasingly complex. It can be seen from arising new financial institutions that emerged, where they competed to provide diverse and attractive services, such as a pawnshop institution. Especially at this time, the Financial Service Authority (OJK) has been opened for private parties who want to participate in opening a pawnshop business. It is stated in POJK No.31/POJK.05/2016 concerning pawnshops⁴. Pawn companies that are regulated and supervised by OJK are government pawn companies (PT. Pegadaian (Persero)) and private pawn companies. As of May 2018, 92 private pawnshops have registered to the Financial Services Authority that has granted business licenses to 24 private pawnshops⁵. Based on data and statistics obtained from financial services authorities, now Islamic pawnshops will not only compete with conventional pawnshops in terms of providing loans to customers

¹ Government Regulation of the Republic of Indonesia Number 103 of 2000 concerning *Perum Pegadaian*, Article 6

² Zainuddin Ali, *Islamic Banking Law* (Jakarta: Sinar Grafika, 2008), p. 139

³ Herry Sutanto and Khaerul Umam, *Marketing Management of Islamic Banks* (Bandung: Pustaka Setia, 2013), p. 390.

⁴ http://www.ojk.go.id/id/regulasi/otoritas-jasa-keuangan/peraturan_ojk_POJK-Uusaha-Pegadaian.pdf

⁵ www.ojk.go.id

but also with private pawnshops. It can be seen in the table based on the distribution of loans to customers.

Table 1
Loans Distributed by Pawnshops (Rp. Billion)

Information	June 2018	September 2018	December 2018	March 2019
Government Pawnshops (Conventional)	29,584	29,381	29,420	30,165
Government Pawnshops (Sharia)	3,996	4,492	4,671	4,803
Private Pawn Shops (Conventional)	1.74	1.80	2.29	2.31

Source: OJK data and statistics⁶

With these problems, sharia pawnshops must prepare to face competition with private pawnshops and review company performance because all pawnshop services are the same in using customer satisfaction-oriented service aspects. The effort that can be made to be able to compete and survive from other financial institutions is to use a customer relationship management strategy as the main task for future development⁷. The service quality is the key to achieve maximum performance. The quality is created from the activities of the company in delivering the goods or services to customers. The creation of the quality of goods and services is a long-term process. However, achieving it requires maximum effort. The changing competition and customer preferences are not new challenges for the companies which use a good and strategic quality that can create superior value for the products offered to customers.

Furthermore, the service quality will be a serious problem if there are differences in perspective and ideas on measuring service quality. According to Kang⁸, Sharma, and Metha⁹, there are two different views: first is the view of

⁶ <https://www.ojk.go.id/id/kanal/iknb/datadan-statistik> 29 May 2019. Accessed 29 June 2019

⁷ Payne, A, *Handbook Of CRM: Achieving Excellence in Customer Management*. (Great Britain: Elsevier Ltd. 2008), p. 4-6 .

⁸ Kang, Gi-Du, " The Hierarchical Structure Of Service Quality: Integration Of Technical And Functional Quality ", *Managing Service Quality* , vol. 16 No. 1 , 2006, p. 37-50 .

⁹ Sharma, Alka., And Versha Mehta (2005), "Service Quality Perceptions In Financial Service-A Case Study Of Banking Services ", *Journal of Service Research* , vol . 4, 2005. h . 205-222 .

European researchers (*Nordic Perspective*) that argued that service quality is measured from the functional dimension (*process*) and the technical dimension (*outcome*). The second is the view of American researchers (*American Perspective*) that stated that service quality is dimensioned by *tangibles*, *reliability*, *responsiveness*, *assurance*, and *empathy*. With these differences, the problem related to service quality is a strategic study that needs to be studied more.

METHOD

This study used descriptive analysis and quantitative methods with case study research model. According to Mayfield, case study research is a study on the status of the object of the research with respect to a specific phase of the whole personality which aims to make systematic, factual, and accurate descriptions of the facts and characteristics of a particular population or area.¹⁰ In a case study, the researcher collected a lot and broad information from an object¹¹ Furthermore, the quantitative method is a method used to present research results in the form of numbers or statistics. The quantitative method was also used to test the hypotheses.

RESULTS AND DISCUSSION

Customer Satisfaction

Customer satisfaction is a key concept in both theoretical and marketing practice, as well as being the main endpoint for all business activities¹². The definition of customer satisfaction according to Philip Kotler and Gary Armstrong is the level of product performance that is considered to follow the buyer's expectations¹³. Meanwhile, according to the Markenis Team, customer satisfaction is the feeling of pleasure or disappointment that a person gets from comparing the perceived product performance with his expectations.¹⁴ Bloemer et al., Showed that customer satisfaction is an important element in fostering customer loyalty. Customer satisfaction is an attitude after the final process of a purchase which is formed psychologically based on a comparison between what

¹⁰ Moh Nazir, *Research Methods* (Bog or: Ghalia Indonesia, 2005), p. 57 .

¹¹ Hani 'Arab, *Maharats At-Tafkir Wa Al-Bahats Al-'Ilmi*, (tt: Rendezvous Scientific Researches, 2009), p. 73 .

¹² Inggang Perwangsa, Nuraalam, *Indonesian Islamic Banking Customer Relationship Management* . (Sleman: CV Budi Utama, 2018), p. 81

¹³ G. Armstrong and P. Kotler, *Marketing: An Introduction* , (Pearson Education, Upper Saddle River, NJ, USA, 10th edition, 2011), p. 13

¹⁴ Team Markenis. *Customer Satisfaction and Beyond* , (Yogyakarta: Markenis, 2009), p. 11 .

is expected and the reality obtained¹⁵. This understanding can be further clarified by Oliver's expression that satisfaction is the level of feelings of a customer after comparing the performance with what he expects. Service is expected to make customers feel satisfied by giving customers what they need and want.

Cronin et al., Showed six core concepts in measuring customer satisfaction in the service sector, that are:

1. The overall simplest way to measure customer satisfaction is to directly ask customers how satisfied they are with the service. This can be done by measuring the level of customer satisfaction with the company's services and comparing it with the services of competitors.
2. Dimensions of customer satisfaction generally consist of four steps: identifying key dimensions of service quality, asking customers to rate company services based on specific items, asking customers to rate competitor services based on the same specific items, and determining the dimensions that they think as the most important in assessing overall customer satisfaction.
3. Confirmation of expectation in this concept of satisfaction is not measured directly but explained based on the conformity between customer expectations with the actual performance of the company's products on several attributes.
4. Repurchase Intent customer satisfaction is measured by asking whether the customer will buy or use the services of the company back.
5. Willingness to recommend in the case of services where re-purchase is relatively long or even once a purchase occurs, the customer's willingness to recommend services to friends or family is an important measure to be analyzed and followed up.
6. Customer dissatisfaction. Some aspects to determining customer dissatisfaction are: complaints, the refund of product, the cost of the warranty, product recall from the market, and customers switch to competitors.¹⁶

¹⁵ Ueltschy, et. al., "Service Quality And Satisfaction: An International Comparison Of Professional Services Perceptions", *Journal of Services Marketing*, Vol. 21 No. 6 . 2007, p . 410-423 .

¹⁶ Cronin, J. Joseph Jr. and Taylor, Steven. 1992. " Measuring Service Quality: Reexamination and Extension " *Journal of Marketing*.Vol. 56. h . 55-68.

Kotler and Keller reveal that satisfied customers usually stay loyal for a longer time, buy more when companies introduce new products and update old products, talk about the good things about the company and its products to others, pay little attention to competitors' brands, not sensitive to price, offer product or service ideas to companies, and have lower service costs than new customers because transactions can become routine¹⁷. Kotler also stated that there are 4 methods for measuring customer satisfaction:

1. Complaint and suggestion system. Every customer-oriented organization needs to provide wide opportunities for its customers to convey their suggestions, opinions, and complaints. The media are in the form of a suggestion box that is easily accessible to customers or comments that can be filled in directly or that can be sent via post to the company. The information obtained through this method can provide new ideas and valuable input to the company, thus enabling it to react responsively and quickly to solve problems that arise.
2. Ghost shopping is one way to get a picture of customer satisfaction by hiring several people to act as customers or potential buyers of the company's products and competitors. Then, they report their findings on the strengths and weaknesses of the company's and competitors' products based on their experience in purchasing these products. Besides, ghost shoppers can also observe how the company and its competitors serve customer requests, answer opinion questions, and handle any complaints.
3. Analysis of missing customers is that the company contacts customers who have stopped buying or who have moved suppliers to understand why this happened and so they can take further improvement policies.
4. Customer satisfaction surveys. The companies are responsible to directly measure customer satisfaction by conducting regular surveys. The survey method is the method most widely used in measuring customer satisfaction¹⁸.

Customer satisfaction often has nothing to do with the core product or service offered. A shift in quality that appeared initially in the production of goods, and has recently penetrated the service industry. Now it is very easy for customers to get good or even super quality goods or services.

¹⁷ Kotler, Philip and Keller, Kevin Lane . *Marketing Management* . Volume 1 and 2. (Jakarta: PT Index, 2007), p. 140

¹⁸ Philip Kotler, et al , *Marketing Basics* , (Jakarta: Indonesia, 1996), p . 46

Relationship of Service Quality to Customer Satisfaction

Service can be defined as an action that creates benefits for customers by bringing about desired changes on behalf of the recipient, so that the service itself has its value for customers about creating customer values. So it can be concluded that service quality is a relative measure of the perfection or goodness of service as an action or performance that creates benefits for customers¹⁹. Pierre Eiglier and Eric Langeard in Lovelock were the first to conceptualize the service business as a system that integrates marketing, operations, and customers. They coined the term seduction system to describe the part of the physical environment of a service organization that customers can see and experience. Consumers buy a service to get a set of benefits or value. Often, the value of a service is derived from the experience created for the customer²⁰.

Kotler links service quality to customer satisfaction and estimates that overall customer satisfaction becomes positive and substantial when consumers perceive high service quality and service delivery which are the same or better than expected. Service quality has a close relationship with customer satisfaction²¹. The use of services carried out by customers, and also the effectiveness of the quality of services provided by the company will have an impact on customer satisfaction. Churchill & Surprenant defines customer satisfaction as the result of the purchase and uses obtained from a comparison between reward and purchase costs with anticipated consequences. Meanwhile, Westbrook & Reilly argues that customer satisfaction is an emotional response to experiences related to certain products or services purchased, retail outlets, or even behavior patterns (such as shopping behavior and buying behavior), as well as the market as a whole²².

The main variables that determine customer satisfaction are expectations and perceived performance. If the perceived performance exceeds expectations, the customer will feel satisfied, but if it is on the contrary, the perceived performance is far below the expectations, the customer will feel dissatisfied²³. A study by Kassim et.al. found a positive relationship between service quality and

¹⁹ Agus Sulastiyono, *Hotel Management* (Bandung: Alfabeta, 2008) , p. 35 .

²⁰ Love lock, et. al., *Marketing of Human Services, Technology, and Strategy* (Jakarta: Erlangga, 2010), p. 55.

²¹ Kot ler, Phillip & Garry Armstrong, *Principles of Marketing* . 11th Edition, (Prentice Hall International Inc. New Jersey. 2006), p. 42.

²² Tjiptono, Fandy, *Service Marketing* (Malang: Bayu Media Publishing, 2006) , p. 349 .

²³ Herry Ahmad Buchory and Djaslim Saladin, *Basics of Bank Marketing* , (Bandung: Linda Karya, 20 06), p . 115

customer satisfaction²⁴. Based on the results of the research by Zahay and Griffin, there is a positive relationship between service quality and several positive customer behaviors, including satisfaction²⁵. Positive results were also found in Jones and Taylor's research where the construct of service quality, which is one of the dimensions of CRM, is concluded to have a positive effect on customer satisfaction²⁶. Gounares et al. Study at found that the quality of bank services had a positive impact on customer satisfaction²⁷. Yap and Sweeney's study shows that service quality has a positive impact on the formation of better customer satisfaction and company performance²⁸. Tseng Study emphasizes the existence of service quality as an effective strategy in determining the increase in customer satisfaction²⁹. Meanwhile, Dash et al. concluded that the quality of service at a bank, both from the functional side and the technical side, has a positive impact on better relationship quality³⁰.

Service Quality

Each company will certainly continue to strive to improve its performance to achieve high-quality standards to retain its customers because no one who wants to get service may have expectations about the level of service they want. According to Goetsh and Davis, quality is a dynamic condition related to products, services, people, processes, and the environment that meet or exceed expectations³¹. Tjiptono and Chandra added that the concept of quality is often seen as a relative measure of the perfection or

²⁴ Kasim, Mohd Norizan., And Abdel Kader Mohammed Ahmed Abdulla (2006) "The Influence Of Attraction On Internet Banking: An Extension To The Trustrelationship Commitment Model", *International Journal of Bank Marketing*, Vol. 24 No. 6, p . 424-442

²⁵ Zahay, Debra., And, Abbie Griffin (2004), "Customer Learning Processes, Strategy Selection, And Performance In Business To Business Service Firms" *Decision Sciences*, Vol. 35 No. 2, h . 169-203

²⁶ Jones, Tim., And, Shirley F. Taylor (2007), "The Conceptual Domain Of Service Loyalty: How Many Dimensions", *Journal of Service Marketing*, Vol. 21 No. 1 , h . 36-51

²⁷ Gounaris, Spiros P., Vlassis Stathakopoulos., And, Antreas D. Athanassopoulos (2003), "Antecedents to Perceived Service Quality : An Exploratory Study In The Banking Industry", *International Journal of Bank Marketing*, Vol. 21 No. 4, p . 168-190

²⁸ Yep, Kenneth B., and, Jillian C. Sweeney (2007), "Zone-Of-Tolerance Moderates The Service Quality-Outcome Relationship" *Journal of Service Quality*, Vol. 21 No. 2 , h . 137-148

²⁹ Tseng, Yi Ming, (2007), "The Impacts Of Relationship Marketing Tactics On Relationship Quality In Service Industry", *The Business Review*, Vol. 7 No. 2, h . 310-314

³⁰ Dash, Satyabhusan., Ed Bruning., And, Kalyan Ku Guin (2006), "The Moderating Effect Of Power Distance On Perceived Interdependence And Relationship Quality In Commercial Banking", *International Journal of Bank Marketing*, Vol. 21, No. 5 , h . 307-326

³¹ Sari and Irine Diana. *Health Business Marketing Management* (Yogyakarta: Mitra Cendi kia Offset, 2008), p. 52 .

goodness of a product or service, which consists of design quality and conformity quality. The design quality is a specific function of the product, while conformity quality is a measure of how much the level of conformity between a product or service and the pre-determined quality requirements or specifications³².

According to the International Standard ISO 8402, quality is a description and overall characteristics of goods or services, which indicate its ability to satisfy specified or implied needs³³. The purpose of service is to help fulfill the interests of others or the public interest because often meeting needs cannot be done alone but requires help in the form of other people's actions³⁴. The functions of the service include:

1. Speeding up the work implementation process to save time.
2. Increasing productivity, both goods, and services.
3. Getting better or guaranteed product quality.
4. Generating a sense of comfort for those concerned.
5. Generating a feeling of satisfaction in the people concerned so that it can reduce their emotional nature.³⁵

In its implementation, service quality requires several dimensions as a measure of the effectiveness and efficiency of the services provided. Therefore, James A. Fitzsimmons and Mona J. Fitzmons explained that customers will assess service quality through the five principles of service dimensions as a benchmark. Zeithaml et al. Also expressed the same opinion that there are five dimensions of service quality:

1. Physical evidence (tangibles) in services such as physical facilities
2. Reliability; The Company's ability to provide services as promised accurately and reliably. Performance must follow customer expectations which are punctuality, the same service to all customers without error, sympathetic attitude, and high accuracy.

³²Tjiptono Fandy and Chandra, Gregorius. *Service, Quality, Satisfaction*. (Yogyakarta: Andi, 2007), p. 110.

³³ Sutirno, Edy. *Organizational Culture* (Jakarta: Kencana Prenada Media Group, 2010), p. 67.

³⁴ Moenir, *Public Service Management in Indonesia* (Jakarta, Bumi Aksara, 2002), p. 26

³⁵ *Ibid*., P. 119

3. Responsiveness, which is a policy to help and provide fast (responsive) and accurate service to customers, with clear information delivery. Letting consumers wait makes negative perceptions of service quality.
4. Assurance. It is the knowledge, ability, and politeness of company employees to foster customers' trust in the company. This includes several components, including communication, credibility, security, competence, and courtesy.
5. Empathy, which is giving sincere and individual or personal attention to customers by trying to understand consumer desires. Where a company is expected to have an understanding and knowledge of customers, understand specific customer needs, and have a comfortable operating time from customers³⁶.

The company carries out special service or excellent service to customers, whether it is shown to internal customers or external customers, who have an important role in the business. This will affect the sustainability of the company in the future. Service quality can help companies maintain customer loyalty, and affect the company's survival. Excellent service contains three main points, namely the presence of an attitude approach related to customer care, an effort to serve with the best action, and an effort to satisfy customers with an orientation to the standards set by the company. According to Sakantula, to achieve excellent service, companies are required to have skills. These skills include looking good and tidy, being friendly, showing work passion and having an attitude of always being ready to serve, calm at work, not being arrogant because they feel needed, mastering good work-related tasks in part or department or other parts, having the ability good communication, able to understand and understand customer cues, and can professionally recognize customer complaints³⁷.

When a company provides excellent service to external customers, it is expected that there will be growth in external customer loyalty to the company, so that from time to time the company will be able to maintain and increase sales of goods or services, as well as be able to achieve the expected benefits. Providing excellent service to customers is not an easy job. However, if some of the things mentioned above can be done, the company will be able to get great benefits, especially increased customer satisfaction and loyalty.

³⁶ Ariani Wahyu D, *Service Operations Management* (Yogyakarta: Graha Ilmu, 2009) , p. 180 .

³⁷ Sri Widyastuti, *Fostering Customer Familiarity : Real Customer Relationship Management* (South Jakarta: Faculty of Economics and Business University , 2016), p. 247

Providing exceptional service is one way for companies to be loved by customers. This involves performance that goes beyond the customer's tolerance zone, by adding value to customers through service beyond what they expect and surprising them with the service provided. Such services cannot create the desired emotional closeness between the customer and the company³⁸. If customers continue to receive special service every time they make contact with the company, they will accept this as the norm. For example, customers will know that every time they visit a restaurant, they will be greeted with a smile, their orders will never go wrong, and will be properly served. It is the initial stage of customer trust and commitment. Surprise customers with exceptional service also play an extraordinary role in strengthening loyalty and stimulating positive word of mouth. They appreciate it when employees do things that make customers comfortable, which is not part of the service they are paying for. Customers believe that they will have a quality experience every time they visit the restaurant and that the restaurant is committed to providing high-quality service. Hoteliers must understand the personal characteristics of each of their guests to serve it. A planned spontaneous approach leans more on databases, or at least a detailed memory of a customer's business. The record kept encouraging the company to do something at certain moments, such as to send a message to customers that they are not forgotten and their business is appreciated. For obvious reasons, the more personal contact, the better the results. Customers are more impressed by the fact that they are recognizable. Employees call their names. Sign language is simple, sending the message that the company knows who they are and appreciates them, having been a customer for some time.

Customers always feel that spontaneity is the best thing. Customers call these events the little things that make a big difference, making the customer feel welcomed and appreciated. The attention given by the company has a positive effect on customers. They feel that the company cares about and that their business is valued by the company³⁹.

This will result in the customer feels closer emotionally to the company as a whole, creating a win-win situation for the company and its customers. Customer satisfaction is important for the sustainability and image of the organization. Service is the relationship between the company and the customer, which is integrated into the work assignment. Excellent service can be learned, not inherited from culture. Barnes said that experience is an example of this

³⁸ Sri Widyastuti, *Fostering Customer Familiarity : Real Customer Relationship Management* ., P. 248

³⁹ Sri Widyastuti, *Fostering Customer Familiarity : Real Customer Relationship Management* ., P. 249

kind of spontaneous service, which is great for keeping in the mind of the customer and leads to the strengthening of a customer relationship. After the experience, a customer may not even think about the competition and will continue to talk about the experience to people who will listen to it.

Catherine Devrye, an excellent service expert, processes the word service into seven simple strategies that can realize excellent service⁴⁰.

1. Self Esteem. That is a service that is carried out starts from an assessment of yourself. The most basic element in the success of ministry is self. If a person places themselves comfortably with whom they work for, then that person can provide good service. A paradigm in which self-esteem is placed in a disadvantageous position means degrading self-dignity. This paradigm must be straightened out, that service is not obedience.
2. Exceed Expectations. The expectations of service users or customers are key in providing forms of service. Hope will always change. So the hopes that will come need to be anticipated from the start. A service will be successful if it can provide something that realizes these expectations, not just beyond what is expected.
3. Recover, namely service by retrieval armed with correcting mistakes. Service often makes the first impression on a person, and will not be obtained at a second chance. However, there is usually an opportunity to correct mistakes if there is a desire to identify the problem. Complaints about the services that have been done can create opportunities and are not problems. For that, customer complaints need to be a source of learning to further improve service.
4. Vision. Services are not only done today, but also need to be planned for the future. The forms of service in the future may not be the same as what is done at this time, so it needs to be thought and planned from now on regarding the vision of the future service.
5. Improve. Continuous improvement of quality service delivery is not easy, but essential. A service that is stagnant in nature will not give any meaning, so quality services must be improved continuously following the changing expectations of service users.
6. Care. Attention to service users or customers can be done by always keeping in touch with them. By staying in touch, it can increase understanding of customer expectations and demands.
7. Empower. This empowerment is carried out within the scope of the organization. In providing services, organizations provide delegations to

⁴⁰ *Ibid*., P. 252

perform services to users. This is of course with an order, signs, and even through service management training for all employees and company management. Good service can be done by individuals, who have good self-assessments. A person who can give good judgment on himself will feel comfortable in any condition and working with anyone. This feeling of comfort makes the individual able to do well in each job and can fulfill his obligations and responsibilities towards the job. Employees who have high self-esteem will be able to provide the best service to customers.

Sharia Pawnshops

Definition of Sharia Pawnshop

Sharia pawnshops are financial institutions that adhere to a pawn system based on Islamic principles and values⁴¹. Pegadaian Public Company, hereinafter referred to in Government Regulation as a company which is a State-Owned Enterprise as regulated in Law Number 9 of 1969, whose line of business is within the scope of duties and authorities of the Minister of Finance, where all capital is owned by the State in the form of separated State assets and not divided into shares⁴². A sharia pawnshop business is all business related to providing loans with collateral for movable goods, deposit services, estimation services, or other services that are carried out based on sharia principles. What is meant by Sharia Principles here are provisions of Islamic law based on fatwas or sharia conformity statements from the National Sharia Council of the Indonesian Ulama Council.⁴³

In general, the technicalities of Islamic financial institutions are⁴⁴:

1. Contract and legality aspects.

The contract carried out consequences because the contract is carried out based on Islamic law. According to Masudul Alam Choudhory⁴⁵, transactions and business in the contract must refer to the concepts of *muamalah fiqh* which have been *converged* with modern economic and financial systems without leaving sharia law.

2. Organizational structure.

⁴¹ MUI Fatwa No. 25 / DSN-MUI / III / 2002

⁴² Government Regulation of the Republic of Indonesia Number 103 of 2000 concerning Public Company (Perum) Pegadaian

⁴³ Regulation of the Financial Services Authority No. 31 /POJK.05/2016 About Business mortgages

⁴⁴ Zainuddin Ali, *Islamic Economic Law* (Jakarta: Sinar Grafika, 2008), p.47.

⁴⁵ Faesal Badroen, *Business Ethics in Islam* (Jakarta: Kencana, 2007), p. 141.

Islamic financial institutions can have the same structure as conventional financial institutions, for example in terms of commissioners and directors, and other parts, but the element that distinguishes Islamic financial institutions from conventional financial institutions is the requirement for a sharia supervisory board to oversee bank operations and its products to conform to sharia lines.

3. Business and venture financing.

In Islamic financial institutions, the businesses and businesses that are carried out cannot be separated from the Islamic filter. Islamic financial institutions will not be possible to finance business that is contained in things that are forbidden, and contrary to Islamic values.

4. Work environment and *Corporate Culture*.

Islamic financial institutions should have a work environment that is in line with sharia. In terms of ethics, for example, the nature of mandate must underlie every employee so that the integrity of a good Muslim executive is reflected.

Specifically, sharia pawnshops technically are⁴⁶:

1. What is profitable about this Sharia Pawnshop is that the calculation is not based on interest, but on rent. For example Ijarah: wages or rent. The pawn process is the same. The calculation of rent per 10 days, but what is different is the *contract* (agreement) based on the estimated price of the goods, and not based on borrowed money.
2. The estimated item can be seen in the class of goods. The assessment of goods groups usually starts from Group A to Group H.
3. Sharia pawnshops are for all groups. Everyone can make transactions at Sharia Pawnshops. Besides, there will also be a precious metal selling program. The precious metal in question is in the form of gold bullion. For this gold bullion, the credit system can be paid in installments. The procurement of 15 gold bars is established, thanks to the collaboration of Pegadaian and PT. Antam.

Advantages of Sharia Pawnshops

Loan Financing from Sharia Pawnshop is the right solution for fast funding needs that are following sharia. It provides fast process and safe

⁴⁶ Habiburrahim, *The Pocket Book of Sharia Pawnshops*. (East Jakarta: Kuwais, 2012), p. 12.

storage. The guarantees are jewelry, electronic goods, or motorized vehicles. The funds were disbursed in fifteen minutes. Other advantages include⁴⁷:

1. The services are available at Sharia pawnshop outlets throughout Indonesia
2. The submission procedure is very easy. Prospective customers or debtors only need to bring collateral in the form of gold jewelry and other valuables to pawnshop outlets
3. The loan process is very fast, only takes 15 minutes
4. Loans (Marhun Bih) ranging from 50 thousand rupiahs to 200 million rupiahs or more
5. The maximum loan period is 4 months or 120 days and can be extended by paying Ijarah only or paying part of the loan in installments
6. Repayment can be made at any time
7. No need to open an account. with the calculation of the capital lease over the life of the loan
8. The customer receives the loan in cash.

Operational Guidelines for Sharia Pawnshop

The operational mechanism of sharia pawning is very important to pay attention to because it does not allow sharia pawnshop operations to be ineffective and efficient. The operational mechanism of the sharia pawnshop should not make it difficult for prospective customers who are going to borrow money or who are entering into a debt agreement. The contract that is carried out, including the services and products sold, must always be based on the Al-Qur'an, Al-Hadith, and Ijma Ulama, without carrying out business activities that contain elements of usury, maisir, and gharar. Therefore the supervision must be attached, both internally, especially the existence of the Sharia Supervisory Board (DPS) as the person in charge relating to its sharia rules, namely the Muslim community primarily, and what is no less important is the feeling of always getting supervision from who makes sharia rules itself, Allah SWT. The operational implementation of sharia pawnshops is almost similar to conventional pawnshops. The fundamental difference between sharia pawnshops and conventional pawnshops lies in the imposition of fees. In a conventional pawnshop, costs are accumulative and multiplied interest. However, the cost of a sharia pawnshop is set once and prepaid which is intended for custody, maintenance, guarding, and appraisal costs. Just like

⁴⁷ www.pegadaian.co.id

conventional pawnshops, sharia pawnshops also distribute the loan money which is secured by movable objects. Obtaining a sharia pawn loan is very simple. People only need to show their identity and movable property as collateral. Loan money can be obtained in a relatively short time. To pay off the loan, the customer only needs to submit a certain amount of money and a proof of with a very short process and time⁴⁸.

The operational guidelines for pawnshop sharia (POGS) can serve the following products and services⁴⁹:

- 1) Providing loans or financing based on sharia pawning law. Sharia pawnshops requires the delivery of the pawned goods by the customer to get loan money, the amount of which is very much determined by the value of the goods being pawned.
- 2) Assessment of the value of goods. A sharia pawnshop provides an appraisal service for the value of an item that is carried out by a prospective customer. This appraisal service only charges an assessment fee.
- 3) Safekeeping of goods. The operation of safekeeping of goods is based on security considerations, or other specific reasons. The safe keeping services referred to as sharia pawnshops may collect storage fees.
- 4) Gold outlets, gold sales places that offer authenticity and quality. The gold sold comes with a guarantee certificate.

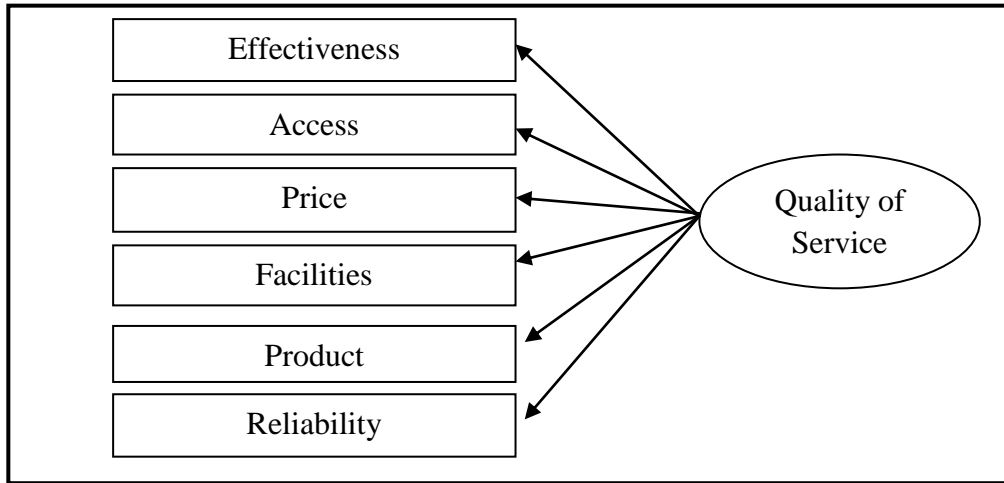
Dimensional variables used in measuring the construct of service quality are as follows: effectiveness; access; price; amenities; product; reliability. The relationship between variables and indicators can be illustrated in the image below:

Figure 1

Dimensionalization of Service Quality Variables

⁴⁸ Adriyan Sutedi, *Sharia Pawn Law* (Bandung: CV.Alvabeta, 2011), p . 151

⁴⁹ Adriyan Sutedi, *Sharia Pawn Law* , p . 152



Six indicators have been used in the study of Service Quality. They are Effectiveness and Assurance (X5); Access (X6); Price (X7); Facilities (X8); Products (X9); Reliability (X10). The calculation of the service quality index number is as presented in Table 4.8 below:

Table 2
Frequency Distribution of Service Quality Items

INDICATOR Service Quality	Respondents Answer Frequency Regarding Service Quality										INDEX Service Quality
	1	2	3	4	5	6	7	8	9	10	
Effectiveness and Guarantee	0	0	1	4	10	21	26	26	17	5	71.63
Access	0	1	1	4	11	14	32	29	16	2	70.9
Price	0	1	1	3	14	30	26	28	5	2	67.09
Amenities	1	0	1	8	14	21	32	24	8	1	66.36
Product	1	0	0	7	19	26	23	21	11	0	64.36
Reliability	0	0	3	4	11	28	27	22	11	4	68.36
Total											68.11

Source: Primary data processed, 2019

From Table 2, it can be seen that the results of the distribution of Service Quality items are as follows:

1. Service Quality Index regarding Effectiveness and Guarantee has a high interpretation with an index value of 71.63. This data shows that most respondents think that Sharia pawnshop has shown fast, accurate, safe and privacy services for customers. This has affected respondents on customer satisfaction at *Syariah Pegadaian PERUM*.
2. Service Quality Index about having knowledge about access has a high interpretation with an index value of 70.9. This data shows that most respondents think that Sharia pawnshop offers and provides convenience in meeting financial needs to customers at *PERUM Syariah Pegadaian*.
3. Service Quality Index regarding price has a moderate interpretation with an index value of 67.9. This data shows that most respondents consider that the administrative rates and the estimated value in Islamic pawnshops are more competitive.
4. Service Quality Index regarding Facilities has a moderate interpretation with an index value of 66.36. This data shows that most respondents think that Sharia pawnshop has shown better physical facilities and spatial planning.
5. Service Quality Index on Products has a moderate interpretation with an index value of 64.36. This data shows that most respondents think that Islamic pawnshops have a relatively complete product.
6. Service Quality Index on reliability has a moderate interpretation with an index value of 65.36. This data shows that most respondents think that Islamic pawnshops can always fulfill their commitments to customers. The index results above indicate that the quality of service is generally moderate (68.11). Researchers have tried to summarize the respondent's view of what is being asked by the same or similar statements combined in one representative sentence, if it cannot be summarized or combined then it is presented as a separate point. Based on this process, the following qualitative descriptive can provide an overview of research findings regarding service quality variables. The result of Regression Weights for Structural Equation Modeling is 2.595 with a P value (Probability) of 0.09. These two values indicate a result that meets the requirements, namely above 1.96 for CR (Critical Ratio) and below 0.05 for the P value (Probability). So it can be concluded that the hypothesis in this study is accepted.

CONCLUSION

The hypothesis proposed in this study is that service quality has a positive and significant effect on customer satisfaction. Based on the results of data analysis, this study has succeeded in proving and subsequently concluding

that service quality has a positive effect on satisfaction, so that the higher the service quality, the higher the customer satisfaction. Furthermore, from the statement of this hypothesis, this study can conclude that the hypothesis built in this study strengthens the justification of the previous research hypothesis, in which service quality affects customer satisfaction. ■

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