

## Conference Paper

# Customer Preferences in Selecting the Pawn Transaction in Pegadaian Syariah Padasuka

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## Abstract

Pawn is believed to provide many benefits for people in need of quick funds, however the growing phenomenon is that the image of sharia pawnshops is not quite good because the society considers that sharia pawnshops is identical with the poor society, thus affecting the public preferences in choosing the pawn transaction in sharia pawnshops. This study aims to examine the influence of the price factor, location factor, and sharia factor towards customer preferences in selecting a pawn transactions in sharia pawnshops. The population in this study are customers of the Branch Office of Sharia pawnshops at Padasuka with its sample is 86 respondents. The technique used in this study is purposive sampling. This study also used survey method with explanatory approach. The method is quantitative with causality design. The data analysis used is multiple linear regression analysis using SPSS. The results of this study with a confidence level of 95%, is that simultaneously price factor, location factor, and sharia factor are positive and have significantly impact on customer preferences by contributing 41.2% presentation. Partially, factor price and location are factors that positively and significantly influence to customer's preferences, while the dominant influence is the price. Meanwhile, the sharia factor does not affect the customer's preferences due to the reasons that customers do pawn transaction is to fulfill their urgent needs, so that the principles of sharia not be a matter that should be considered.

**Keywords:** Price, Location, Sharia, Customer preference

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## 1. Introduction

The growing types of sharia financial institutions in Indonesia let people have many choices to choose financial institutions that are suitable for the needs of the community. One of them is a sharia pawnshop, this financial institution has a big impact on meeting financial needs in the community. Although many sharia financial institutions have sprung up in Indonesia, the sharia pawnshop seems like having its own appeal for the community to fulfill its needs. Sharia Pawnshop was born to be a pioneer of pawnshops with the sharia system in Indonesia and for Muslims, the presence of sharia pawnshops

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is something that adds peace to make a transaction because it is not necessary to be worried about being trapped in 'riba'.

The development of sharia pawnshops in Indonesia is no less encouraging with the development of other Islamic financial institutions. This can be seen from the table below: (www.pegadaian.co.id, 2015)

TABLE 1: Kinerja Bisnis Gadai Syariah (dalam jutaan rupiah).

Uraian	2013	2014	2015
Uang Pinjaman	11.535.454	11.722.736	13.077.842
Nasabah (Orang)	-	577.273	823.980
Barang Jaminan (Potong)	3.531.405	3.750.000	4.121.000
Ujroh	745.679	724.240	840.037

*Sumber: Annual Report Pegadaian (2015)*

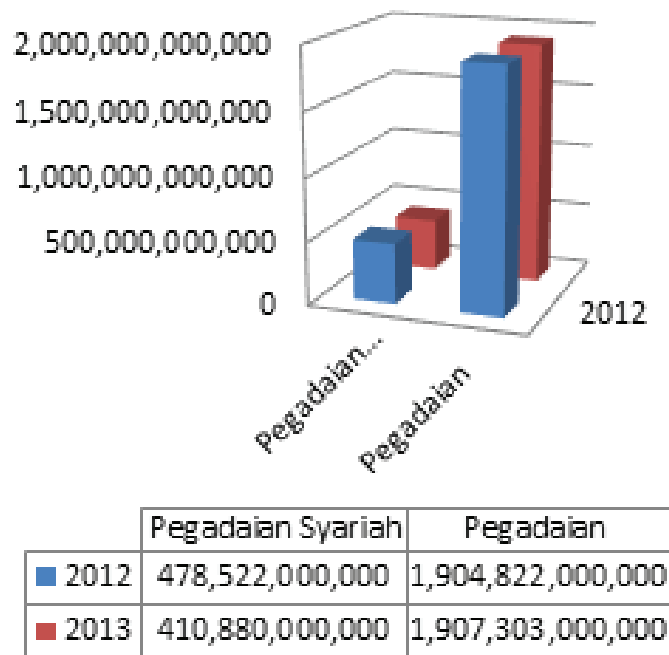
From the table above it can be seen that the amount of loan money provided, from 2013 to 2015 continued to increase. In 2015 there was an increasing in the amount of money lent at 11.56% to Rp 13,077,842,000,000, as well as the number of customers and the amount of collateral which increased respectively by 42.74% and 9.89%. However, in the number of 'ujroh', there was a decreasing of 2.88% to Rp 724.24 million in 2014, so that net income also decreased by about 9%. This affects the amount of Net Profit Margin (NPM) obtained by Islamic pawnshops. Net Profit Margin (NPM) in 2014 decreased by 3.85% compared to 2013.

The decreasing in 2014 was actually a continuation of the decreasing that occurred in 2013. This contrasts with conventional pawnshops that have increased. This can be seen in the picture below:

From the graph above it can be seen at the end of December 2013, sharia pawnshops can only book a net profit of Rp 410.88 billion, decreasing 14.14% when compared to 2012 which earned a net profit of Rp 478.52 billion (www.pegadaian.co.id, 2013).

This figure is contrary to the situation of conventional pawnshops that still outperform than sharia pawnshops. In 2013, the amount of net obtained was IDR 1.91 trillion, up by IDR 2.49 billion from 2012, which is IDR 1.90 trillion. Whereas if calculated from 2011, the increasing in the company's net profit was from Rp 1.48 trillion in 2011, to 1.91 trillion in 2013 (www.pegadaian.co.id, 2013).

One of the causes of this can be caused by consumers' decisions to choose sharia pawn shops. Consumer decisions are present from consumer behavior in daily lives, the fact shows that sharia pawnshops are considered less popular because the perception that has emerged is that people associated with sharia pawnshops are groups of people



**Figure 1:** Number of the comparison between the profit of mortgage and the profit of sharia pawnshop in 2012-2013.

who borrow collateral funds, so seems to be poor or economically incapable (Ahmad, 2010).

The above conditions are strengthened by the research of Zainudin (2005) concerning the Preference of the Society to Sharia Pawn at the Margada Sharia Pegadaian Branch Office, Depok. The results of his research said that they knew the presence of a sharia pawnshop but did not use it because they did not know the procedure and they still thought that the sharia pawnshop was the same as conventional.

## 2. Literatur Review

Speaking of preferences, the growth of the sharia financial industry quickly requires sharia economists to be able to understand the demands and needs of consumers / customers as a top priority. Customer preference for a product will continue to change over time, therefore it is important to explore consumer preferences for a product (in this case, sharia pawnshops) because if not, then the company's performance can be hampered or even collapse. This fact appealed to sharia pawnshops, as a non-bank

Islamic financial institution that aims to help people who need a number of loans, to find out what factors are taken into account by customers in choosing a sharia pawnshop.

According to Kotler (2001) consumer preference is a person's process in choosing something that is preferred from several choices in the hope that this choice will provide greater satisfaction. In psychology literature, the most typical definition used in psychology is that preference is defined as individual behavior towards the decision making process of an object and interpreted to like or dislike an object from several object choices (Erinda, 2016).

According to a study by Bank Indonesia (2000) preference indicators consist of:

1. Relative advantage

The relative advantage is the amount of loans obtained by customers of sharia pawnshops

2. Compatibility

Compatibility is conformity with physical and social life. Compatibility includes two perceptions, namely perceptions of facilities (views of respondents about sharia pawnshop facilities, for example facilities in sharia pawnshops) and perceptions of service (views of respondents about sharia pawnshop services, for example sharia pawnshop service)

3. Complexity

Complexity is the connection of the problems that accompany the transaction process and the use of products and services offered by sharia pawnshops seen from the systems / procedures used by sharia pawnshops

4. Triability / Observability

Triability is the level of searching information about sharia pawnshop.

According to Kotler (Kotler, 2008: 38) the factors that influence a preference are:

1. Cultural factors, sub-cultures and social classes.
2. Social factors namely reference groups, families, and roles and status.
3. Personal factors are age and stages in the life cycle, work, economic conditions, lifestyle, personality and self-concept.
4. Psychological factors namely motivation, perception, learning process, and trust and attitude.

According to Nik Amah's research (2017: 31) that the principle of Islamic transactions based on Sharia DSAK, is Brotherhood (ukhuwah), Principles of Justice ('Adalah), Principles of Benefit (Maslahah), Principle of Balance (Tawazun), Principles of Universalism (Syumuliyah).

The other factors that influence consumer preferences are based on marketing mix (price, place, promotion, product, people, physical evidence, process).

### 1. Price Factor (Ujrah)

Price according to Kotler and Armstrong (2001) is the amount of money exchanged for a product or service. Furthermore, price is the sum of all values that consumers exchange for the amount of benefits by owning or using an item and service.

Indicators that characterize the prices used in this study, namely (Stanton, 1998):

- (a) Affordability of prices: Affordability of the ujrah tariff and in accordance with the customer's ability.
- (b) Price suitability with product quality: The ujrah tariff is proportional to the amount of the loan that the customer receives, the security quality of the collateral is guaranteed safe.
- (c) Price competitiveness: The ujrah tariff at Pegadaian Syariah The Branch of Padasuka is cheaper or affordable compared to other financial institutions.
- (d) Price compatibility with benefits: The total cost that must be incurred by the customer, in proportion to the services and facilities obtained.

### 2. Location factor

Location definition according to Ratih Hurriyati is (Putra, 2015): "The location is a place (place) defined as a place of service, related to where the company must be based and carry out operations or activities." In the location factor, in location selection requires some consideration to determine the best location, as for these components

- (a) Access, location is easy to reach public transportation
- (b) Visibility, the location can be clearly seen from the road
- (c) Traffic, traffic density to the location
- (d) Large and safe parking space
- (e) Government regulations
- (f) Environment, wide location if you want to expand later

(g) Location of competitors

The dimensions of the location are:

1. Strategic, the location of sharia pawnshops close to the center of the crowd, close to the customer's residence, and easily accessible by public transportation.
2. Safety and Comfort, Pegadaian syariah provides security and comfort to customers.

### 3. Methodology

This study aims to examine the effect of price factors, location factors, and sharia factors on customer preferences in choosing pawning transactions in sharia pawnshops. The population in this study were customers of the Pegadaian Syariah Kantor Cabang Padasuka with a total sample of 86 respondents with purposive sampling technique. The method used is a survey method with an explanatory approach. This method is quantitative with the design of causality. Quantitative method is a method used to examine a particular population or sample, data collection using written instruments, quantitative statistical data analysis with specific objectives to test the hypothesis that has been established (Sugiyono, 2014: 11).

Data in this study were analyzed using multiple linear regression analysis. But before the validity of the data needs to be done, remembering the data regarding customer preferences and the factors that influence them are obtained by using questionnaires.

Furthermore. to do multiple linear regression analysis, the following equation can be written:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Description:

- Y = Customer preferences
- $b_0$  = Constant
- $b_{1-3}$  = Regression coefficient
- $X_1$  = Price factor
- $X_2$  = Location factor
- $X_3$  = Sharia factor
- e = Disturbance variable

## 4. Result

Analysis of Multiple Linear Regression and Hypothesis Testing:

TABLE 2: Multiple Linear Regression Test Results.

Variabel	Koefisien Regresi	t Hitung	Sig.
Konstanta	6,381		
Harga (X1)	0,430	5,597	0,000
Lokasi (X2)	0,417	3,037	0,003
Syariah (X3)	0,024	0,403	0,688
F Hitung: 19,119	Sig: 0,000		
R <sup>2</sup> : 0,412			

The translation of the above equation is a constant value of 6.381. Positive correlation coefficient means that there is a unidirectional relationship. For a constant value, if without the influence of the price, location, and sharia variables, the customer's preference for the mortgage transaction will remain at 6,381. Regression coefficient value for X1 is 0.430 meaning that if there is an increase in variable X1 of one unit, then the customer's preference for the pawning transaction will increase by 0.430 units assuming other variables remain. Regression coefficient for X2 is 0.417 meaning that if there is an increase in variable X2 of one unit, then the customer's preference for the pawning transaction will increase by 0.417 units assuming other variables remain. Furthermore, the regression coefficient for X3 is 0.024 which means that if there is an increase in the X3 variable of one unit, then the customer's preference for the pawn transaction will increase by 0.024 units assuming other variables remain.

### 4.1. Hypothesis I Testing: The influence of Price Factor (X1) towards Customer Preference in Choosing Pawn Transactions at Pegadaian Syariah (Y)

Based on the results of multiple linear regression test, it can be seen that the price variable has a positive and significant influence on customer preferences. This is supported by data that states that the t count value at the price variable (5.597) is greater than t table (1.989) and the significance level at alpha 5% for the price variable is 0.000 less than 0.05. Thus the results of testing the hypothesis is that Ho is rejected and Ha is accepted; Ha:  $\beta_1 \neq 0$ , meaning that there is an influence between prices on customer preferences.

Thus, the price factor is an important factor to be considered for Pegadaian Syariah because in reality the customer makes the price factor as their consideration for choosing Pegadaian Syariah. Affordable and not burdensome ujah rates are a strong consideration for customers in making pawning transactions at Pegadaian Syariah.

#### **4.2. Hypothesis II Testing: The Influence of Location Factors (X2) towards Customer Preference in Choosing Pawn Transactions at Pegadaian Syariah (Y)**

Based on the results of multiple linear regression test it can be seen that the location variable has a positive and significant influence on customer preferences. This is supported by data stating that the t value in the location variable (3.037) is greater than t table (1.989) and the level of significance at alpha 5% for the price variable is 0.003 less than 0.05. Thus the results of testing the hypothesis is that  $H_0$  is rejected and  $H_a$  is accepted;  $H_a: \beta_1 \neq 0$ , meaning that there is an influence between location to customer preferences

The more strategic the location of sharia pawnshops the community's decision to use products rahn in sharia pawnshops is increasing because the strategic location guides the community in time efficiency and easy access. However, it is only strategic that it is not enough to make customers repeat transactions at sharia pawnshops. Therefore, if they want to maintain customer loyalty, good facilities and services are still needed so that customers feel safe and comfortable in the KC Padasuka sharia pawnshop.

#### **4.3. Hypothesis III Testing: The Influence of Sharia Factors (X2) towards Customer Preference in Choosing Pawn Transactions at Pegadaian Syariah (Y)**

Based on the results of multiple linear regression test, it can be seen that the sharia variable has no significant effect on customer preferences. This is because the value of t arithmetic (0.403) is smaller than t table (1.989) and the level of significance at alpha 5% for Islamic variables is 0.688 greater than 0.05. Thus the results of testing the hypothesis is that  $H_0$  is accepted and  $H_a$  is rejected;  $H_0: \beta_1 = 0$ , meaning that there is no influence between sharia factors on customer preferences.

In general, customers do pawn activities on the grounds of urgent needs so they will choose an alternative that is affordable and easy for them. Because of these reasons, sometimes it makes customers less aware of the sharia factors in their activities. In fact,



they will continue to make pawning transactions at the Sharia Pawnshop KC Padasuka as long as the costs they incur are not burdensome to them, even though they still think that there is interest in the transaction.

#### **4.4. Hypothesis IV Testing: The Influence of Sharia Factors (X2) towards Customer Preference in Choosing Pawn Transactions at Pegadaian Syariah (Y)**

Based on the results of multiple linear regression test, it can be seen that F count is greater than F table ( $19,119 > 2,71$ ) and the significance value in this research model is 0,000, smaller than 0.05 ( $0.000 < 0.05$ ). Thus the results of testing the hypothesis is that  $H_0$  is rejected and  $H_a$  is accepted;  $H_a: \beta_1 = 0$ , meaning that there is a simultaneous influence between price, location and sharia factors on customer preferences.

As for knowing how much the percentage of contribution is the influence of price, location, and sharia variables simultaneously on the customer preference variables, it can be seen from the coefficient of determination ( $R^2$ ). The coefficient of determination in this research model is 0.412 or 41.2%, which means that the factors of price, location, and sharia have an influence on customer preferences by 41.2% and the rest (58.8%) are influenced by other variables outside this research model.

## **5. Conclusion**

Based on the results of the research and discussion in the previous chapter, it can be concluded that:

1. Customer preferences in choosing pawning transactions at Pegadaian Syariah KC Padasuka are categorized as high on prices, categorized as high on location, then categorized as low on sharia.
2. Customers' views on price factors such as price affordability, price compatibility with products, price competitiveness, price compatibility with benefits, related to customer preferences tend to be high. Thus there is a positive influence between perceptions of prices and customer preferences.
3. The customer's view of location factors such as location affordability by public transportation, proximity to the customer's residence, proximity to the center of the crowd, satisfying comfort and security provided, related to customer preferences

tend to be high. Thus there is a positive influence between perceptions on location and customer preferences.

4. The customer's view of sharia factors such as the principles of justice applied, the principle of brotherhood, the principle of benefit, the principle of balance, the principle of universalism, related to customer preferences tend to be low. Thus there is no influence between perceptions on sharia and customer preferences.
5. Concurrent views of customers on price factors, location factors, sharia factors, related to customer preferences tend to be high. Thus there is a positive influence between perceptions on price, location, and sharia factors simultaneously with customer preferences.

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