

FACTORS AFFECTING THE LOYALTY OF THE MILLENNIAL GENERATION USING SHARIA BANK SERVICES IN MEDAN CITY

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Abstract: The aim of this research is to examine the factors that influence the loyalty of the millennial generation in using Sharia Bank services in the city of Medan. The method used in this research is a quantitative method, which is research that uses numbers and statistics in collecting and analyzing data that can be measured. The population in this research is 100 students from the Faculty of Islamic Economics and Business with a sampling technique, namely purposive sampling with a sample size of 50 respondents. Quantitative data analysis was carried out using a Structural Equation Model based on the Partial Least Squares (SEM PLS) technique. The results of this research show that the Bootstrap results show that 3 (three) constructs (variables), namely Service Quality (X_1), Customer Trust (X_2) and Attitude (Z) have a positive and significant effect on Interest (Y). And if you look at the R^2 (R-square) value in this study, it is 0.548 (between $> 0.50 < 0.75$), in the medium category. This means that all independent variables, namely Service Quality (X_1), Customer Trust (X_2) and Attitude (Z), have an effect on the dependent variable, namely Interest (Y).

Keywords: Service Quality, Customer Trust, Attitudes and Interests.

Introduction

The millennial generation who were born in 1980-1995 and are more attached to the Generation Y label are different from generations born before or after, namely a young generation full of enthusiasm, active, creative, very environmentally conscious, and team-oriented in any activity. The most unique thing about this generation is that this generation is a middle generation with their mastery of technology considered capable of meeting the world of work with the various challenges of today's digital era.(Sharon 2015). The millennial generation can be the spearhead in the digital economic movement, this is reflected in this generation's understanding of various technological developments. The difference between this generation and the previous and subsequent generations, namely generation

The millennial generation is the first generation to grow up with the transition to accessing the benefits of the internet, which strengthens this generation's view of technology, communication and so on. Currently, Sharia Banks, which are financial institutions, are able to play an important role in the banking services industry. The history of the birth of Sharia Banks as part of financial institutions has basically been established for a long time in the Koran and hadith and has experienced quite heavy dynamics throughout its journey at the beginning of the 14th century. However, in the 20th century, a global service network for Sharia Banks began to be formed. (Doraisamy et al., 2011).

Medan is the city with the largest Muslim population in North Sumatra Province. According to the 2010 Population Census, the number of Muslim residents in Medan City was 1,422,237 people. With a large Muslim population like that, the city of Medan has the potential to develop a sharia banking system more quickly. It turns out that it does not ensure that the majority Muslim population in the city of Medan uses Sharia banking services. Based on data obtained from the 2020 Medan City Population Profile, the number of millennials aged 20 years to 24 years is in the range of 202,173 people out of the 2,435,252 population in Medan City. As many as 28.71% of the population should be literate in using sharia banking services in the city of Medan, so that this generation has the potential to increase the use of sharia banking services. One of the efforts made by banks to increase the use of banking services is by collaborating with BI and Sharia Financial Institutions in the city of Medan to conduct outreach about sharia banking to all millennial generations in the city of Medan.

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Research conducted by (Anggraeni 2022) where the existence of Sharia Banks in Jambi City is a quite varied choice among the people of Jambi City and makes competition in financial institutions, especially banking, both conventional and Sharia, more varied. The spread of Sharia banking in the Jambi City area can make it an attractive choice, especially among the millennial generation who use banking as a means of transactions, although some of the millennial generation prefer to make transactions in conventional banking for reasons of convenience when making transactions, but sharia banking is more aggressive in carrying out transactions. promotion of the products they have, especially among the millennial generation who really need and are very dependent on the existence of banking products to support their daily mobility, does not rule out the possibility that they will make quite a good contribution to sharia banking financial institutions and the millennial generation in their various activities.

Based on the statement above, the author tries to discuss and express it in the form of a scientific work with the title "Factors that Influence the Loyalty of the Millennial Generation Using Sharia Bank Services in the City of Medan".

Literature Review

Service quality

Service or product quality is the expected level of excellence and control over that excellence to meet customer expectations. Good service will increase customer satisfaction so that they are willing to carry out repeated transactions

Customer Trust

Customer trust is all the knowledge possessed by the customer and all the conclusions the customer makes about the object, attributes and benefits (John C. Mowen 2002).

Attitude

Attitude The basic definition of attitude is that an attitude towards an object, issue or person is basically a feeling of like or dislike, interest or not, trust or not and so on. According to (Saifuddin 2003) Attitudes can be categorized into three orientations of thinking, namely:

- 1) Response-oriented. This orientation is represented by experts such as Louis Trustone, Rensis Likert and Charles Osgood. In their view, attitude is a form or reaction of feeling. More operationally, attitude towards an object is a feeling of support or partiality (favourable) or a feeling of not supporting or not taking a side (unfavourable) towards the object (Berkowitz in Azwar, 2003).
- 2) Which is oriented towards response readiness. This orientation is represented by experts such as Chave, Bogardus, La Pierre, Mead and Allport. The conception they proposed turned out to be more complex.
- 3) Which is oriented to the triadic scheme. According to this orientation view, attitude is a constellation of cognitive, affective and conative components that interact with each other in understanding, feeling and behaving towards an object. (Wardana 2017).

Interest

Interest is a mental device consisting of a mixture of feelings, hopes, opinions, prejudices, fears or other tendencies that direct a person towards a certain choice. There are several factors that influence the emergence of interest, encouragement from within oneself, social and emotional motives (Indriani, Hamdani, and Gustiawati 2020). In this research object, placing students in this case is supported by the concept that students in society are members of society who develop their potential in the learning process in the world of education, both formal and non-formal education. Even though there are still many students who use sharia banking services, it does not rule out the possibility that the student environment will become an opportunity for sharia banking to develop its wings both as a potential for human resources (HR) and services in line with the fast-paced development of the times and especially with the increasingly widespread cashless movement.

These causes can be divided into internal and external causes according to their origin. Internal reasons, for example, are students' doubts about the strict sharia provisions of sharia banks. This indicates that students' or santri's religious knowledge also influences their interest in becoming sharia bank customers. Santri who study at Islamic boarding schools and know the laws of usury and prevent opening accounts and becoming customers at sharia banks. At the same time, one of the external causes hit Islamic banks themselves. Islamic banks still offer very little information or advertising to their customers. Information about Islamic banks is relatively less available than traditional banks, both through mass and electronic media. From this statement it can be seen that offers can also influence interest and knowledge of becoming a sharia bank customer.

Method

This research uses a quantitative descriptive approach, carried out in Medan City, the measurement scale used as a reference uses a Likert scale, so that the variables are arranged in the form of indicators which will become a benchmark for preparing instruments in the form of questions and statements (Ariani 2007). The population in this research is the loyal millennial generation, totaling 50 people. According to Rambut et al (2010), for quantitative research, a sample of 50 to 100 is included in the medium category. The sample set in this study consisted of 50 millennial generation people. The data collection technique uses a five-point Likert scale, namely: Strongly Agree (SS = 5); Agree (S = 4); Doubtful (R = 3); Disagree (TS = 2); Strongly Disagree (STS = 1). Data was obtained by distributing questionnaires to the sample. The sample was selected using purposive sampling technique (Cassel and Lyberg 2001). The data analysis technique uses SEM PLS (Hair et al. 2019). Smart PLS software version 4.0 is used to analyze Service Quality (X1), Customer Trust (X2), and Attitudes (Z) towards the Interests of the Millennial Generation (Y).

Result and Discussion

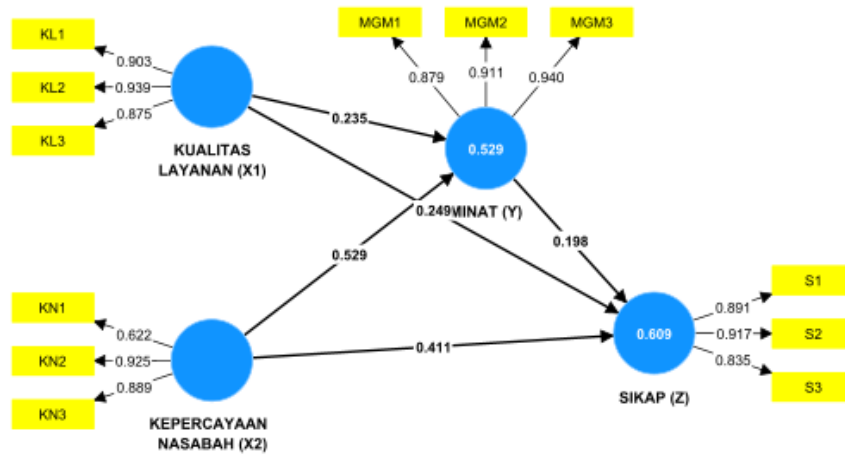
Factors and Indicators in the Model

This research tests the hypothesis using SEM (Structural Equation Modeling) based on partial least squares (PLS). This research carried out two stages of quantitative testing, namely the first stage was testing the measurement model, namely testing the validity and reliability of the construct (variable) of each indicator. The second stage is to test the structural model to find out whether there is an influence between variables or a correlation between constructs. This quantitative research initially consisted of 3 variables with 12 indicators. The independent variable is Interest (Y) which consists of two indicators, namely, (1) Product Interest, (2) Transactional Interest, and (3) Referential Interest. The dependent variable is the Service Quality (X1) indicator variable, namely, (1) Ease of availability of facilities and infrastructure, (2) Affect Factors, (3) Social Factors. The Customer Trust variable (X2) consists of 3 indicators, namely, (1) Understanding of the benefits of Sharia financial services requirements. And Attitude Variable (Z) consists of three indicators, namely, (1) Cognition (Assessment of consumer knowledge of sharia financial services), (2) Effectiveness (consumer likes or dislikes towards Sharia financial services), (Assessment of the benefits of Islamic banks) The questionnaire is designed according to question indicators (factor items) to be able to measure latent variables. Respondents answer questions according to ratings on a 1-5 point Likert scale.

Confirmatory Factor Analysis

Factor analysis was carried out to validate the questionnaire for the millennial generation. The validity of the factor structure was verified with reference to factor Loadings. This research uses considerations from Kaiser (1974) which states that a minimum value of 0.5 is still considered, although according to Kaiser (1974) and Csath et al (2018) a value >0.8 is considered very good in factor analysis. The SEM results of this research can be seen in the image below:

Figure : 1 SEM Test Results



The results of the validity of the questionnaire test with 12 items above factor loading 0.5. Therefore, each factor has been supported for use in factor analysis because all factor loadings are above 0.5. After validating the factors and factor indicators, PLS analysis.

Outer Assessment (Measurement) Model

The validity test in the outer model with reflexive indicators is evaluated through convergent validity and discriminant validity of the indicators forming the latent construct. Meanwhile, the outer model with formative indicators is evaluated through its substantive content, namely by comparing the relative weights and looking at the significance of the construct indicators (Ghozali and Latan 2015). The results of external assessments (measurements) of this research model can be seen in the image below.

Figure: 2 Reliability and Validity Test Results

	KEPERCAYAAN _NASABAH (X2)	KUALITAS_LAYANAN (X1)	MINAT (Y)	SIKAP (Z)
KL1		0.903		
KL2		0.939		
KL3		0.875		
KN1	0.622			
KN2	0.925			
KN3	0.889			
MGM1			0.879	
MGM2			0.911	
MGM3			0.940	
S1				0.891
S2				0.917
S3				0.835

Figure: 3 Construct Reliability and Validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
KEPERCAYAAN _NASABAH (X2)	0.761	0.877	0.860	0.678
KUALITAS_LAYANAN (X1)	0.891	0.917	0.932	0.820
MINAT (Y)	0.898	0.928	0.935	0.828
SIKAP (Z)	0.858	0.883	0.913	0.777

In testing the reliability of all variables in this study, the Cronbach's salpha value was > 0.6 and the composite reliability value was > 0.7 and the AVE value was above 0.5, which means that the reliability and validity of this research were met, except for the Customer Trust variable.

Inner Model (Structural) Assessment

The structural model was analyzed using the Bootstrap procedure suggested by (Haryono 2014). The t-statistical test is a way to observe the significant influence of the prediction model in the inner model or in other words to see the results of the hypothesis in this research. The t-statistic test is declared influential if the p-value is <0.05 or the t-statistic value is > 1.65251. The bootstrap results show that 3 (three) constructs (variables), namely Service Quality (X1), Customer Trust (X2) and Attitude (Z) have a positive and significant effect on Interest (Y).

Figure 4: Path Coefficients

Path coefficients - Matrix Zoom (75%) Copy to Excel

	KEPERCAYAAN _NASABAH (X2)	KUALITAS_LAYANAN (X1)	MINAT (Y)	SIKAP (Z)
KEPERCAYAAN _NASABAH (X2)			0.529	0.411
KUALITAS_LAYANAN (X1)			0.235	0.249
MINAT (Y)				0.198
SIKAP (Z)				

Figure 5: R-Square

R-square - Overview

	R-square	R-square adjusted
MINAT (Y)	0.548	0.529
SIKAP (Z)	0.633	0.609

R2 (R-square) measures the variance explained in each endogenous construct which is used to see the magnitude of the influence of all independent variables on the dependent variable (Hair et al 2019). R2 ranges from 0 to 1, with higher values indicating greater explanatory power. As a guideline, if the R2 value of 0.75 is large enough; 0.50 means moderate and 0.25 means weak (Hair et al. 2011; Henseler et al. 2009). The R2 (R-square) value in this study was 0.548 (between > 0.50 < 0.75), in the medium category. This means that all the independent variables Service Quality (X1), Customer Trust (X2) and Attitude (Z) have a moderate influence on the dependent variable, namely Interest (Y). However, when using Cohen's (1988) criteria, if the R2 value is greater than 0.40 then this model is considered quite substantial.

Conclusion

The results of this research confirm that the millennial generation has an important role in using Sharia Banking services. Quantitatively, this research confirms that Service Quality, Customer Trust and Attitude have a positive and significant effect on Interest. In testing the reliability of all variables in this study, the Cronbach's salpha value was > 0.6 and the composite reliability value was > 0.7 and the AVE value was above 0.5, which means that the reliability and validity of this research were met, except for the Customer Trust variable. And if you look at the R2 (R-square) value in this study, it is 0.548.

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