

## BEHAVIORAL FACTORS OF MICRO, SMALL AND MEDIUM ENTERPRISES ON DECISIONS IN CHOOSING ISLAMIC BANKING PRODUCTS IN RIAU PROVINCE

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### ABSTRACT

Micro, Small and Medium Enterprises (MSMEs) are increasingly aware of the role of Islamic banks in creating and maintaining competitive advantages in the economy, especially affecting MSMEs. The trend in choosing Islamic banks is an attraction from the phenomenon that is currently occurring among micro, small and medium enterprises in encouraging the sustainability of the business they are engaged in. Therefore, this paper examines the extent to which factors influence MSMEs in deciding to use products at Islamic banks. This type of research is quantitative. with secondary data processing. Primary and secondary data sources. With respondents being MSMEs through Google Form. This study analyzes the relationship between organizational culture, socialization, individual productivity, and employee satisfaction and achievement using the Structural Equation Modeling - Partial Least Squares (SEM-PLS) method. The results of the analysis show that organizational culture has a significant effect on employee satisfaction ( $t = 30.22$ ,  $p < 0.05$ ), while socialization does not directly affect employee satisfaction ( $t = 0.52$ ,  $p > 0.05$ ). However, socialization has a positive impact on individual productivity ( $t = 6.59$ ,  $p < 0.05$ ), which ultimately improves employee performance ( $t = 16.47$ ,  $p < 0.05$ ). This finding confirms the importance of organizational culture in improving job satisfaction as well as the role of individual productivity in achieving work performance. Therefore, organizations need to optimize socialization strategies that not only improve productivity but also contribute to job satisfaction.

Key words: Behavior, MSMEs, Islamic Banks.

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## INTRODUCTION

Banks are financial institutions that play an important role in the economic activities of the community because they act as collectors and distributors of community funds (Agustina & Fasa, 2021; Alhusain, 2021). The development of Islamic banks in Indonesia is generally quite encouraging. With such rapid development, Islamic banks both in Indonesia and in the world can be seen from the expertise of Islamic banks in being able to fight the financial crisis that occurred in 1998 and 2009. Many conventional banks collapsed, while Islamic banks were able to survive (Agustina & Fasa, 2021). In 1998 there was Law No. 10 of 1998. Thus, national banking has its own wisdom where the government opens up banking business activities based on Islamic principles. This is to adapt to the aspirations and needs of the community that continue to grow. In 1999, Law No. 23 of 1999 was issued, which explained that "Bank Indonesia gives authority to regulate Islamic banks. Then, Law No. 21 of 2008 concerning Islamic Banking was enacted. Banks can use this legal umbrella to maintain a balance between traditional Indonesian banks and equivalent banks (Ginting, 2017; Akmal, 2021).

Riau Province, which has been used as a role model for Islamic economics in Indonesia, has an important role in acting as a model for other provinces and regions in the implementation of the Islamic economic system. Riau Province itself consists of 12 districts/cities where the provincial capital is Pekanbaru City, which is more prominent as a role model for Islamic economics, where Pekanbaru City also has the title of civil city as the center of government for the Riau region (Diskominfortik, 2014). The following is the growth of MSMEs in Riau Province:

Table 1. Small and Medium Enterprises in Riau Province

No	Information	Amount (Business)		
		2021	2022	2023
1.	Kuantan Singingi	1.888	1.430	3.010
2.	Indragiri Hulu	4.892	5.446	5.110
3.	Indragiri Hilir	7.875	4.881	8.591
4.	Pelalawan	3.862	2.786	3.931
5.	Siak	2.019	2.798	2.345
6.	Kampar	5.071	3.549	5.806
7.	Rokan Hulu	3.357	2.964	3.882
8.	Bengkalis	6.354	5.804	7.212
9.	Rokan Hilir	2.932	2.669	3.618
10.	Kepulauan Meranti	4.162	3.927	4.752
11.	Pekanbaru	6.352	6.421	8.226
12.	Dumai	1.938	3.120	3.353
<b>Total</b>		50.702	45.795	59.837

Based on the data of Small and Medium Enterprises (SMEs) in Riau Province above, it can be explained that from 2020 to 2022 the number of Small and Medium Enterprises (SMEs) in Riau Province has fluctuated. In 2020, the total number of Small and Medium Enterprises (SMEs) was 50,702. Then in 2021 there was a decrease of around 4,907 with a total of Small and Medium Enterprises (SMEs) of 45,795 and in 2022 there was an increase of around 14,042 with a total of Small and Medium Enterprises (SMEs) of 59,837.

## MATERIALS AND METHODS

### Small and Medium Enterprises

According to Berger & Udell (2005) defines Small and Medium Enterprises (SMEs) as small-scale human economic activities that generate net wealth or annual sales and ownership results as determined by applicable laws. MSMEs is an independent productive business unit carried out by individuals or legal entities (Hakim, 2021).

Micro, small and medium enterprises (MSMEs) play an important role in economic development and growth not only in developing countries (DCs) but also in developed countries (DMs) (Kadeni & Srijani, 2020). MSMEs has several potential strengths that are the foundation for its future development, including job providers, sources of new entrepreneurs, have unique market segments, utilize natural resources around them and have the potential to be developed (Azmi & Riyadi, 2019).

### **Consumer Behavior Theory**

Consumer behavior theory is a theory that explains the characteristics of consumer behavior in consuming, especially the factors that determine consumer consumption choices. This theory is usually used in the scope of management because of the need to identify consumer characteristics. Accurate identification of consumer behavior allows marketers to prepare and deliver the expected value or more than expected by consumers (Budiman, 2020).

Consumer behavior theory is a concept that is still general. Some adjustments will be needed for each specific product. Although still general, this theory can be used as an initial basis to identify the appropriate segmentation for a commodity or product. According to (Kotler & Garry, 2013), the concept of consumer behavior can be said to be a form of purchasing behavior by consumers (individuals or households) who purchase products for personal consumption (Angan, 2003; Desiana et al., 2018). In the context of this study, behavior is applied to the decision of Small and Medium Enterprises (SMEs) in choosing Islamic Bank products in Riau Province (Mardiana, 2021).

### **Factors That Influence Purchasing Behavior**

According to Kotler and Keller (2008), Decision is a process of approaching a problem consisting of problem recognition, information search, exploration of various alternatives, purchasing decision making and purchasing behavior experienced by consumers. The purchasing decision process does not only end with the purchase transaction but also continues with the post-purchase behavior phase (Hanik & Handayani, 2014; Hastharita, 2020).

At this stage, consumers experience a certain level of satisfaction or dissatisfaction, which will affect their subsequent behavior (Isnan, 2020). If consumers are satisfied, they will be more likely to make repeat purchases or buy other products from other companies.

#### 1. Cultural Factors

According to Kotler & Keller (2008) Culture is a determinant of desires and behaviors reflected in the way of life, habits and traditions in the demand for various goods and services. In this case, the behavior of one consumer will be different from the behavior of other consumers because there is no homogeneity in the culture itself.

#### 2. Social Factors

Social factors also influence buyer behavior. Product choices are greatly influenced by small groups, family, friends, roles and social status of consumers (Kotler & Keller, 2008).

#### 3. Personal Factors

Purchasing decisions are also influenced by personal characteristics such as age and life cycle stage (product life cycle), occupation, economic situation, lifestyle and consumer personality (Kotler & Keller, 2009). Purchasing decisions are also influenced by personal characteristics. These characteristics include age and life cycle stage, occupation, economic situation, lifestyle, and the buyer's personality and self-concept (Majid, 2020; Jumiarti et al., 2021).

**Research Methods**

Research design is a plan, structure and strategy of investigation designed to obtain answers to research questions or problems. A plan is a complete scheme or research program. It includes an outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of the data. This study uses a quantitative method. This study uses a quantitative method using a questionnaire to answer research questions and research objectives with the aim of providing empirical evidence to accept or reject the research hypothesis.

Population is the subject of research (Berger & Udell, 2005). Population can also be understood as an area generalization consisting of objects/subjects that have certain quantities and characteristics determined by researchers to be studied and then conclusions drawn (Ciswati & Septayuda, 2023). The population in this study is MSMEs spread throughout Riau Province totaling 59,837 people. For this study, samples were taken using the Slovin formula. So, in this study the sample was 100 people. Because the population exceeds 100 people, the sample in this study used random Stratifeld grading sampling.

This study uses PLS-SEM to analyze data for reasons of use PLS-SEM is because the structural model is complex (Aurelia et al., 2021). Study structure model is a complex with many variables and indicators, which lead to selection of PLS-SEM for analysis. Furthermore, according to Hair et al. (2015) the choice of SEM PLS is more appropriate if it extends the existing theory by the researcher (Azmi & Riyaldi, 2019). Besides that, The advantage of SEM-PLS is that it can estimate measurement models and structural models simultaneously.

**RESULT AND DISCUSSION**

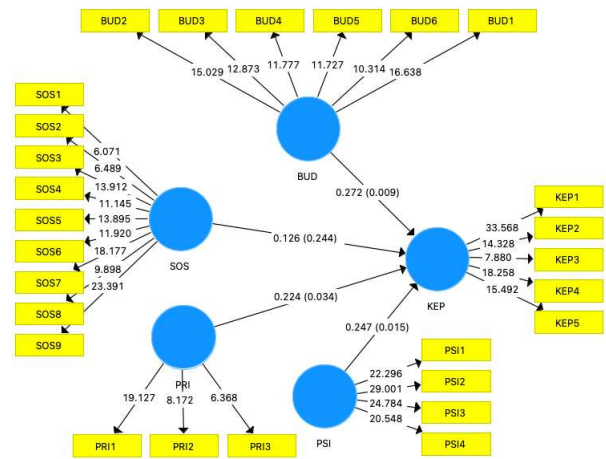


Figure 1. Boot Strapping Results

Figure 1 shows the relationship between latent variables (blue circles) and indicators (yellow boxes). There are several main latent variables, such as BUD, SOS, PRI, PSI, and KEP. The indicators related to each latent variable have a loading factor value. The relationship between latent variables is indicated by an arrow with a path coefficient value and a value in brackets (standard error or t value). For example, the relationship between BUD → KEP has a value of 0.272 (0.009), which shows the influence of the BUD variable on KEP. Other relationships, such as SOS → PRI (0.224 (0.034)), show a significant influence of SOS on PRI.

Each indicator has a loading value that shows how strongly the indicator represents the latent variable. For example, the KEP1 indicator has a loading of 33,568, while SOS3 has a loading of 6,489. A higher path coefficient value indicates a stronger relationship between two latent variables. If the standard error is low, then the relationship is considered more stable. A higher loading value indicates that the indicator is more valid in measuring its latent variables.

**Model Structure and Relationships Between Variables**

This SEM-PLS model consists of several latent variables (blue circles) that are connected to their respective

indicators (yellow boxes). The relationship between latent variables is indicated by arrows with path coefficient values, which indicate the magnitude of the influence between the variables.

BUD (Organizational Culture) → KEP (Employee Satisfaction)

Path coefficient: 0.272 (standard error 0.009)

This means that organizational culture has a positive effect on employee satisfaction. The relatively small but significant coefficient value indicates that although there is an influence, other factors also play a major role in employee satisfaction.

SOS (Socialization) → PRI (Individual Productivity)

Path coefficient: 0.224 (standard error 0.034)

This shows that socialization has a positive effect on individual productivity. This value is quite strong, indicating that the better the socialization in the organization, the higher the individual productivity.

PRI (Individual Productivity) → PSI (Individual Achievement) Path coefficient: 0.247 (standard error 0.015)

Individual productivity has a positive effect on individual achievement. This means that the more productive an individual is, the higher his/her achievement.

SOS (Socialization) → KEP (Employee Satisfaction)

Path coefficient: 0.126 (standard error 0.244)

Socialization has an effect on employee satisfaction, but with a smaller value compared to the effect of organizational culture. The high standard error value (0.244) indicates a large variability in this effect, so this relationship can be weaker or less stable.

### Indicator Analysis (Loading Factor)

Loading factor shows the extent to which the indicator reflects the latent

variable being measured. The higher the loading value, the better the indicator is at explaining its latent variable.

BUD (Organizational Culture) Indicator:

The highest loading value on BUD1 (16,638) and BUD2 (15,029), indicates that these aspects of organizational culture are more dominant in shaping corporate culture compared to other indicators.

SOS (Socialization) Indicator:

The indicators with the highest loading are SOS7 (23,391) and SOS6 (18,177). This indicates that the socialization aspect represented by this indicator is stronger in influencing the SOS variable.

KEP (Employee Satisfaction) Indicator:

KEP1 indicator (33,568) has the highest loading, indicating that the aspect represented by this indicator is very dominant in shaping employee satisfaction.

PSI (Individual Achievement) Indicator:

The indicators with the highest loading are PSI2 (29,001) and PSI3 (24,784), indicating that the aspect represented by this indicator is stronger in explaining the PSI variable.

### Discussions

Organizational culture has an influence on employee satisfaction, but it is not the only major factor. This shows that other aspects, such as socialization and individual productivity, also play a role. Socialization contributes to individual productivity, but its impact on employee satisfaction is not too great. This can be a concern for management to improve the effectiveness of socialization so that it has a greater impact on job satisfaction. Individual productivity has a direct influence on individual achievement. This shows that organizations need to focus more on improving employee productivity to achieve better performance.

Indicators with high loading can be a priority in organizational development strategies, for example by paying more attention to aspects of organizational culture that have a greater impact on job satisfaction. Indicators with high loading values can serve as priorities in formulating organizational development strategies. For instance, greater emphasis can be placed on elements of organizational culture that show a stronger influence on employee job satisfaction, as these aspects are likely to yield more significant improvements in overall organizational performance.

### CONCLUSION AND IMPLICATION

Organizational culture has a strong influence on employee satisfaction → Organizations must build a work culture that supports employee well-being and satisfaction. Socialization affects individual productivity but does not directly increase employee satisfaction → Companies need to combine socialization strategies with other factors such as rewards or welfare. Individual productivity plays an important role in improving work performance → A work environment that encourages productivity will increase employee achievement. Indirect effects need to be considered → Socialization that increases productivity can lead to long-term job satisfaction and performance. Overall, this study highlights the importance of organizational culture and individual productivity in improving job satisfaction and performance, as well as the need for a holistic approach to human resource management strategies.

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