

DETERMINANTS OF PUBLIC DECISION-MAKING IN SELECTING SUBSIDIZED HOME FINANCING AT ISLAMIC BANKS

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Abstract

This study aims to identify the factors that influence people's decisions in applying for subsidized mortgage financing (KPR Subsidy) at Islamic banks, with a case study focus on Bank Syariah Indonesia (BSI). The research population includes all customers who have taken out a KPR Subsidy at the BSI Palembang Branch Office. The sampling technique used is non-probability sampling, specifically the accidental sampling method, which involves selecting respondents based on chance encounters between the researcher and members of the population who are willing to participate. A total of 100 BSI KPR Subsidy customers were selected as the sample. For data processing, this study utilizes SPSS version 20 and employs multiple linear regression analysis. This method is applied to examine the influence of several independent variables simultaneously on a single dependent variable. The results show that the housing location factor has a positive and significant effect on customers' decisions to apply for a KPR Subsidy, with a t-value of 5.666, which is greater than the t-table value of 1.985, and a significance level of 0.000, which is below the 0.05 threshold. Furthermore, the housing price also has a positive and significant effect, with a t-value of 4.220 > t-table 1.985 and a significance level of 0.000 < 0.05. Similarly, the promotion factor shows a positive and significant influence on the decision to take the KPR Subsidy, with a t-value of 4.806 > t-table 1.985 and a significance level of 0.000 < 0.05.

Keywords: Decision, Factors, Financing, Subsidized Mortgage

INTRODUCTION

One of the basic human needs is shelter. A house, as a place to live, is a primary necessity alongside clothing and food. Everyone needs a home for protection, gathering, and carrying out family activities, as well as a means of investment. The function of a house has now evolved, from merely a shelter to a place that must fulfill the needs and desires of its owner, such as a strategic location, sturdy construction, and a comfortable environment. Therefore, a house is not only a place to take shelter but must also be a decent place to live. Housing

and settlements are basic needs that play a strategic role as centers of family education and in improving the quality of future generations. The welfare of society and the quality of human resources are reflected in the improvement of a decent quality of life.

As time progresses, a house is no longer seen merely as a place to live, but also as a long-term investment, especially among the upper-middle class, who often view it as an indicator of prosperity. The demand for housing in Indonesia continues to increase each year. According to data from Real Estate Indonesia (REI), the annual housing demand in Indonesia reaches 2.6 million units, driven by population growth. With a population of around 251 million people in 2020 and an annual population growth rate of 1.3%, the need for housing is expected to keep rising. Homes can be purchased either in cash or through installments. For the general public, the FLPP Mortgage (KPR FLPP) is highly necessary due to continuously rising housing prices while purchasing power remains limited, making the FLPP Mortgage one of the solutions in the home-buying process (Ilham & Kamal, 2021). The FLPP Mortgage (KPR FLPP) has become one of the solutions in the home-buying process. The growing need for housing has encouraged banks to seriously develop home purchase products, whether through cash or credit schemes. As intermediaries between parties with excess funds and those in need of financing, banks must maintain sound financial performance to ensure the smooth functioning of their intermediary role.

One of the Islamic banking products that uses the *murabaha* contract is Home Ownership Financing. In theory, the demand for this product is influenced by several factors, including house prices, prices of other goods, public income, public preferences, population size, economic conditions, and expectations for the future (Wahyu, 2023). The demand for housing is a form of supply from property developers aimed at helping people meet their housing needs. Demand arises when an individual has both the desire and the ability to purchase a good or service. From an Islamic perspective, the meeting of demand and supply must occur voluntarily, without any coercion from either party. Therefore, the equilibrium price formed between demand and supply must reflect a mutually agreeable deal, where no party feels compelled or disadvantaged (Firman, 2022).

However, there is an imbalance in housing provision, both from the supply and demand sides. The high demand is not matched by the available housing supply. Various factors contribute to this issue, such as limited land, ineffective policies, lack of cooperation with the government, the capabilities of developers, and the high cost of raw materials. On the demand side, limited access to financing remains a major obstacle. Although many banks offer Home Ownership Loan (KPR) products, high costs remain a challenge due to the lack of long-term funding support and the need for strategic locations. South Sumatra Province has a relatively high poverty rate. According to data from the Ministry of Public Works and Public Housing (PUPR), around 14,687 households are unable to afford decent housing. In addition to issues of housing inadequacy, the gap between housing demand and supply frequently occurs as a result of high poverty levels. Data from the Ministry of PUPR shows that the total housing gap between demand and supply in South Sumatra Province reaches 9,987 households.

According to observations conducted by the researcher in collaboration with a representative from Bank Syariah Indonesia, the increasing demand has not yet been matched by the actual realization of housing requested by customers. In 2021, housing loan requests reached 110 units, but only 85 units were realized, with a total loan value of IDR 12.7 billion. A similar situation occurred in 2022, with 175 units requested and 137 units realized, amounting to IDR 20.6 billion in total loans. In 2023, demand sharply increased to 250 units, yet only 215 units were realized, with a total loan value of IDR 34.8 billion. This low realization rate was hindered by several factors, such as less strategic housing locations and a lack of collaboration with the government. The FLPP Mortgage is a housing financing scheme that receives assistance or subsidies from the government. The profit margin for FLPP Mortgages is also relatively low, as it is adjusted to target the low- to middle-income segment. FLPP Mortgages are specifically intended for individuals who have never owned a home and are tailored to their income levels.

Generating buying interest and ultimately leading consumers to make a purchase decision is not an easy task. Many factors influence this process, both internal factors within the consumer and external stimuli provided by the company. Factors that influence purchasing decisions include: 1) Product; 2) Price; 3) Location; 4) Promotion. In addition, other factors such as service quality and the brand image of a bank also play a role in increasing customer confidence in purchasing products from that bank.

Table 1. Property Price Increase in South Sumatra Region 2023

Quarterly	Percentage (%)
I	3,54
II	3,77
III	7,06
IV	7,64

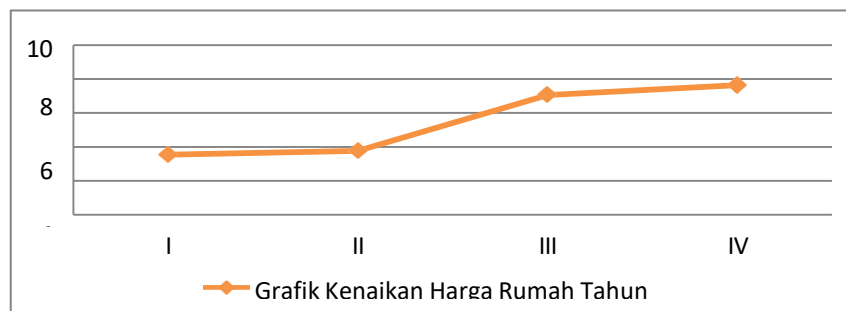


Figure 1. House Price Increase Graph (Source : <https://www.bi.go.id>)

The change in residential property (housing) prices in 2023 showed a steady increase from the first to the fourth quarter. In the fourth quarter, the highest percentage increase was recorded at 7.64%, indicating that residential property prices are becoming increasingly expensive. The primary factors driving this price increase are the rising costs of land, building materials, and labor wages.

The main factors driving the increase in house prices include land prices, which continue to rise over time. The prices for subsidized mortgage (KPR) homes are set by the government, with the price for the Sumatra region set at IDR 162,000,000 in 2023 and IDR 166,000,000 in 2024. These prices are adjusted annually by the government. As land becomes more expensive over time, the government has implemented a policy to increase the price of subsidized mortgages each year.

In this case, consumers will also consider the location of the housing and choose a location that meets their preferences. Location refers to an area where housing is easily accessible, with convenient transportation and ample parking space. Components related to location include: choosing a strategic location (easy access), proximity to shopping centers, availability of ample parking space, being close to residential areas, safety, and comfort for the residents. The more strategic the location of a house, the higher the demand, and the higher the price offered. This will influence consumers' decisions to purchase a home using the FLPP mortgage financing product from Islamic banks.

Pendapatan juga faktor yang sangat penting dalam menentukan permintaan terhadap suatu barang. Besarnya pendapatan menunjukkan besarnya daya beli seseorang akan suatu barang sehingga perubahan pendapatan dapat mempengaruhi banyaknya jumlah permintaan terhadap suatu jenis barang.

Table 2. Gross Regional Domestic Product Per Capita at Constant Prices of South Sumatra Province

Year	GRDP Per Capita (Thousand Rupiah)
2018	35.570,71
2019	37.048,94
2020	37.323,24
2021	38.182,24
2022	39.718,92
2023	41.277,53

Source: <https://www.bps.go.id>

Income is also a very important factor in determining demand for a good. The level of income indicates an individual's purchasing power, so changes in income can affect the quantity of demand for a particular good.

A person's ability to own a home is greatly influenced by their income. The level of consumer income reflects their purchasing power—the higher the income, the greater the demand for goods due to increased purchasing ability. This means that income level has a positive relationship with the demand for goods. In relation to income, there are two types of goods: normal goods and inferior goods. The quantity demanded of normal goods has a positive (direct) relationship with income, while inferior goods have a negative relationship—demand for these goods decreases as consumer income increases. Therefore, when people's income increases, the portion of income spent on non-food needs—particularly for purchasing a home or paying mortgage installments through the FLPP scheme—also increases. As a result, income levels also influence consumer decisions to use Islamic bank financing products.

According to research conducted by Sutopo Anzaruddin Septian Pahlevi (2017), the perception of house prices has a positive effect on purchase decisions. However, a study by Alifia Qorizah and Prayudi S. Prabowo (2019) found that house prices do not significantly influence customers' decisions to take out Islamic mortgages. Research by Mirza Astia Amri (2019) showed that location has a positive effect on customers' decisions to take Islamic mortgage financing, which contrasts with the findings of Aan Rahman (2022), who stated that location does not have a significant influence on customers' decisions to choose mortgage products. Additionally, a study by Qusnul Dyah Novitasari and Roziana Ainul Hidayati (2020) found that promotion significantly influences customer decisions, whereas research by Finirika Zahra (2019) concluded that promotion does not have a significant impact on customer decisions. Based on the discrepancies in these findings, further research is necessary to determine the extent to which housing location, housing prices, and promotional activities influence customer decisions in taking home ownership financing.

METHODOLOGY

The research methodology used in this study is a quantitative approach, which refers to methods used to test research results based on numerical data derived from statistical analysis. The purpose of this study is to test the research hypotheses related to the subject being studied. The results of the testing can be used as a basis for drawing research conclusions, either supporting or rejecting the hypotheses.

Quantitative research is conducted on a randomly selected sample, allowing the conclusions to be generalized to the population from which the sample is drawn. In this study, the data source used is primary data. Primary data refers to research data obtained directly from original sources. In this study, the primary data were collected directly from the perceptions or responses of participants to the questions included in the questionnaire, which was filled out by customers who obtained FLPP mortgage financing at Bank Syariah Indonesia, Palembang OPI Jakabaring branch office.

In research, the population refers to all members within a certain area that are the focus of the study or the entirety of the research object. In this study, the target population consists of customers of FLPP mortgage financing at BSI KCP Palembang OPI Jakabaring who have taken out home ownership financing. The total population is approximately 100 customers who obtained home ownership financing at BSI KCP Palembang OPI Jakabaring.

RESULTS AND DISCUSSION

1. The Influence of Location on Customer Decisions to Take KPR-FLPP Facilities

Location is one of the most important factors influencing the demand for housing. Essentially, the hypothesis states that the more strategic the location of a house, the better it is, and the higher the demand will be. One of the key factors influencing a buyer's decision to purchase a house is its location. Considerations such as easy and quick road access, proximity to city markets, availability of

public transportation, and being in a flood-free area are some examples of why location is a crucial factor.

Based on the regression coefficient calculation, the value of X1 is 0.350 with a t-count of 5.666 at a significance level of ($0.000 < 0.05$), indicating that location has a significant effect on customers' decisions to take FLPP mortgage financing at BSI KCP Palembang OPI Jakabaring. This means the first hypothesis (H1) is accepted. This finding is also supported by research conducted by Elrangga, which shows that housing location has a dominant influence on the decision to purchase a home (Kumala & Anwar, 2020). One of the main factors influencing customers' decisions in choosing a home is its location. According to research by Habiby, housing location or distance from the city center affects customers' interest in purchasing property. The location of the house directly influences the accessibility of customers in obtaining a mortgage (KPR). Other considerations that influence customers include proximity to the city, workplace, and public facilities such as hospitals and markets.

2. The Influence of Price on Customer Decisions to Take KPR-FLPP Facilities

According to Swasta, price is the amount of money required to obtain a certain combination of goods and services (Tias, 2019). In setting a pricing policy, management must first determine the base price of its product, then decide on policies related to discounts and other pricing components. When purchasing a home, consumer behavior typically involves comparing prices with other housing options—considering factors such as facilities, the surrounding environment, and most importantly, the price itself. Especially today, developers offer a variety of housing types with different facilities to attract buyers.

Price is one of the factors that significantly influences people's decisions to use or own a product that they consider suitable for their needs. If the price of a product offered by Islamic banking institutions is affordable for the community, it is likely that people will use the product, provided that the price aligns with their financial capability and needs. The law of demand essentially proposes a hypothesis that the lower the price of a good, the higher the demand for that good. Conversely, the higher the price of a good, the lower the demand. This relationship is inherently inverse.

Based on the regression coefficient calculation, the value of X2 is 0.220 with a t-count of 4.220 at a significance level of ($0.000 < 0.05$), indicating that housing prices have a significant effect on customers' decisions to take FLPP mortgage financing at BSI KCP Palembang OPI Jakabaring. This means the second hypothesis (H2) is accepted. This finding is supported by research conducted by Dina (2014), which explains that the compatibility between house prices and consumers' purchasing power can significantly influence mortgage decisions. When prices align well with purchasing power, they tend to attract more consumers, as price is one of the main factors influencing a customer's interest in taking a mortgage. If housing prices are affordable for customers, it is likely that they will choose to use the product, provided that the price matches their financial capabilities and needs.

3. The Influence of Promotion on Customer Decisions to Take KPR-FLPP Facilities

Promotion is an activity conducted by companies to encourage consumers to purchase their products. Promotion involves communicating the advantages of the product and persuading the target market to buy it. Based on the regression coefficient calculation, the value of X3 is 0.225 with a t-count of 4.806 at a significance level of ($0.000 < 0.05$), indicating that promotion has a significant effect on customers' decisions to take FLPP mortgage financing at BSI KCP Palembang OPI Jakabaring. This means the third hypothesis (H3) is accepted. This finding is supported by research conducted by Fany (2022), which shows that the promotion variable has a positive and significant effect on the decision to purchase housing. The research indicates that consumers perceive the promotions offered as meeting their desires and expectations, as well as being aligned with their purchasing power and the benefits they receive.

CONCLUSION

Based on the formulation of the problem that has been determined by the researcher, it can be seen that the results of the data analysis that has been processed using SPSS, several conclusions were drawn, namely:

- 1) Location has a positive and significant effect on customers' decision to take FLPP mortgage financing. This can be seen from the research conducted, where the t-test results show that the t-count is greater than the t-table ($5.666 > 1.980$) with a probability value of 0.000, which is less than 0.05, thus H1 is accepted. This means that location has a positive and significant effect on customers' decision to take FLPP mortgage financing at BSI KCP Palembang OPI Jakabaring.
- 2) Price has a positive and significant effect on customers' decision to take FLPP mortgage financing. This can be seen from the research conducted, where the t-test results show that the t-count is greater than the t-table ($4.220 > 1.980$) with a probability value of 0.000, which is less than 0.05, thus H2 is accepted. This means that price has a positive and significant effect on customers' decision to take FLPP mortgage financing at BSI KCP Palembang OPI Jakabaring.
- 3) Promotion has a positive and significant effect on customers' decision to take Sharia mortgage financing. This can be seen from the research conducted, where the t-test results show that the t-count is greater than the t-table ($4.806 > 1.980$) with a probability value of 0.000, which is less than 0.05, thus H3 is accepted. This means that promotion has a positive and significant effect on customers' decision to take FLPP mortgage financing at BSI KCP Palembang OPI Jakabaring.

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