The Impact of Internal Marketing in Bank Syariah of Palembang City on Customer Service Quality

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Abstract

This study aims to determine how internal marketing influences the quality of customer service at Banks Syariah of Palembang City. This study uses quantitative methodology to conduct a descriptive survey. Cross-sectional survey is performed for 135 respondents, 45 staff members, and 90 Banks Syariah customers from nine Banks Syariah in Palembang City using a standardized questionnaire. The data were evaluated using linear regression and structural equation modeling approaches (SEM). The study's findings indicate that the implementation of internal marketing significantly affects the service quality offered to Banks Syariah clients. In addition, the developed model satisfied the fit criteria of several techniques, indicating that employing internal marketing to train personnel can improve the quality of customer service. This is innovative that it explores and proves a model and influence of internal marketing on the quality of customer service for Banks Syariah in Palembang City. Limited number of respondents in this survey, who are all from Palembang, cause findings cannot be generalized to the entire Indonesia. Implications for practice: This study is limited to respondents from Palembang, so it cannot be extrapolated to the rest of Indonesia. By employing internal marketing tactics, this study will increase the social acceptability of Bank Syariah.

Keywords: Internal Marketing, Service Quality, and Bank Syariah, Structural Equation Modeling.

Introduction

Syariah economics is one of the economic areas that Bank Syariah in Indonesia is now developing because of its enormous potential and future contribution to the Indonesian economy (Safira & Amiluhur, 2022). The competition for customers between Bank Syariah and conventional banks will intensify. Bank Syariah must have a plan to win the hearts of its customers through increasing customer satisfaction (Ehsan, Khan, & Saeed, 2021). Due to the fierce competition, Islamic bank management must exert significant effort to sustain performance so that Bank Syariah remains the customer's first choice among competing banks (Agustina & Majid, 2021). One of the basic strategies that Islamic bank management may do to prolong the company's success is to retain the top performers (Mols, 2019). Providing employee job satisfaction is one of how a company can obtain the highest performance from its employees (Hashem, 2018). Internal marketing can assist businesses in fostering employee satisfaction, which contributes to high service quality.

Internal marketing views employees as internal customers and functions as an internal product that satisfies their needs and aspirations while fulfilling the organization's goals (Sarker & Ashrafi, 2018). Internal marketing will influence external clients by soliciting feedback from staff who deal directly with them. Consequently, the company is better positioned to address consumer perceptions and exceed expectations (Alabdullah & Maryanti, 2021). If the organization does not seek this knowledge, its ability to adapt to the environment and secure resources will be hindered (staff and customers).

Visionary executives that recognize the value of employees as customers in their organizations provide aid to management. Senior management must effectively communicate their direction, beliefs, and expectations to all levels of the organization, from the top of the hierarchy to the bottom (Kartika, 2021). Management support will increase better resources and job satisfaction by integrating decision-making and operational execution connected to policies and procedures and empowering staff to be more responsive to constituent needs (Altarifi, 2014). In the notion of internal marketing, it is also crucial to build a work atmosphere that emphasizes service. Internal marketing is seen as a vital aspect of ensuring service excellence.

Every reputable financial institution has a service quality requirement. The quality of internal services, such as management style, communication between existing departments, rewards, training, clear job descriptions, and suitable responsibilities, significantly impacts employee satisfaction at work (Abdullah, Huang, Sarfraz, Ivascu, & Riaz, 2021), which will ultimately have a direct effect on the company's performance. In addition, Suripto and Supriyanto (2021) found that service quality is closely correlated with employee satisfaction in the banking industry and that employee satisfaction will rise if the corporation employs internal marketing. As stated previously, this study aims to determine the effect of internal marketing on Islamic Bank customer service quality and to illustrate the theoretical model.

Review of Literature

Internal Marketing

Internal marketing is an organization that uses an external marketing strategy to effectively achieve employee satisfaction, customer satisfaction, market orientation, and sales objectives. Internal marketing is both a concept and a plan for meeting the needs of employees (Ahmed & Rafiq, 1995). Internal marketing is a concentrated effort to motivate employees and establish and integrate client-focused organizational practices (Chasanah, Suyanto, & Istanto, 2021).

Internal marketing aims to motivate employees to provide excellent customer service. Internal marketing requires a positive relationship between an organization and its personnel (Yildiz, 2016). Employees will attempt to satisfy customers if their needs are recognized and satisfied. Internal marketing is a concept that emphasizes collaboration among employees (Kim, 2021). It is essential to the development and maintenance of a good business plan. The value received by individuals on the scale can be used to calculate the internal marketing success rate.

Five significant factors should be considered while evaluating an internal marketing effort. The five parts include membership segmentation, relationship development, communication strategy, product/service offerings, and a cost-benefit analysis of relationship development. The five components of internal marketing are 1) market education and training,

2) management help, 3) internal communication, 4) personnel management, and 5) employee participation in external communication (Qaisar & Muhamad, 2021).

Service Excellence

The degree to which a service continually meets or exceeds consumer expectations is its quality. Service quality refers to the consumer's overall opinion of the organization and its services' relative inferiority/superiority (Chaudhary & Dey, 2021). Service quality is essential not just for customer retention but also for business expansion. Moreover, service quality can produce income for an organization (Fuchs & Fangpong, 2021).

The customer's evaluation of the overall superiority of a product or service is known as service quality perception. The consumer is pleased if the perceived service matches the expected benefit and dissatisfied if the perceived service falls short of the scheduled service (Darawong & Sandmaung, 2019). This study is based on the following dimensions: 1) Tangible, 2) Reliability, 3) Responsiveness, 4) Assurance and 5) Empathy (Gobena, 2018).

Bank Syariah

Bank Syariah is a financial institution that conducts business according to sharia law. Two forms of sharia banks are Syariah commercial banks and sharia people's financing banks. Law No. 21 of 2008 on Islamic Banking defines Bank Syariah as financial institutions that conduct business in accordance with sharia or Islamic legal principles (Aristyanto, Nanda, & Hasan, 2019). According to the fatwa of the Indonesian Ulema Council, the referred-to Islamic sharia principles include fairness and balance, benefit, and universalism, but exclude gharar, maysir, usury, injustice, and unlawful purposes (Khaliq, 2019). Moreover, according to Sharia Banking Law, Bank Syariah must consistently serve social functions as well as functions such as baitul mal institutions. Built mal collects funds from zakat, infaq, alms, or other social funds and distributes them to waqf managers (nazhir) following the waqf donor's intentions (wakif).

According to the Financial Services Authority organization, every Syariah financial transaction involves nine contracts. Wadi'ah, Mudharabah, Musyarakah, Murabahah, Salam, Istina', Ijarah, Ijarah vomiting bit tamlik, and Qardh are among the nine contracts (Suripto & Supriyanto, 2021). Islamic banking also offers products and services by sharia (Islamic law), which prohibits not just usury (riba) or exorbitant interest charges, such as additional borrowing costs, but also other unethical behaviors such as gharar (speculation) and (maysir) gambling (Voronova & Umarov, 2021). Simpanan nasabah tidak dikenakan pembayaran bunga di bank syariah. Bank Syariah does not pay interest on deposits from consumers. In accordance with the Islamic banking profit-sharing ratio, the bank Syariah pays only a portion of its profits (Maulana & Violita, 2020). If Bank Syariah adheres to this service principle, it will become one of the best options for clients undertaking financial transactions in the future.

## Variables and Results

Hypotheses

Internal marketing is a means of communication that promotes a customer-centric culture within an organization. Employees are considered company partners who collaborate with the organization to provide products and services to external clients. Due to the certainty of superior service, employees and clients who have faith in the business will rely on themselves. Internal marketing is strongly linked to customer-focused service enhancement. Research (Park & Tran, 2020) shows the relationship between staff sales behavior and customer service quality.

Moreover, the service climate moderates the effect of internal marketing on customer-focused sales behavior considerably. This research is further supported (Helmi et al., 2022) by the fact that superior services can be created through the implementation of internal marketing. Based on the theoretical foundation and specific empirical facts, alternative hypotheses may be proposed:

Ho: Internal Marketing does not have a positive effect on the quality of customer service
H1: Internal Marketing has a positive effect on the quality of customer service.

The research model developed based on the initial literature review is depicted in the following figure.
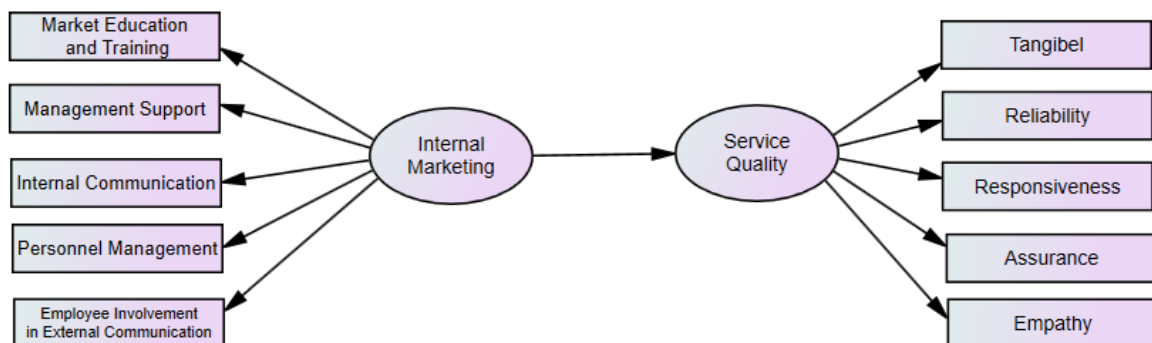
Figure 1. *Internal Marketing and Service Quality: Adapted Conceptual Model (Elsamen. A.A & Alshurideh. M, 2012)*

Research Techniques

This qualitative study employs a descriptive survey methodology. In this study, a cross-sectional survey is performed. This approach was used because this study aims to examine the influence of internal marketing on the service quality of Islamic bank customers by surveying both Bank Syariah employees and customers. February of 2022 was the duration of the study.

This survey's population consisted of employees and customers of Bank Syariah in Palembang. The research sample consisted of 135 participants, 45 staff members, and 90 Islamic bank clients picked at random from nine Bank Syariah in Palembang. A questionnaire on internal marketing was provided to Islamic bank workers, while a questionnaire on service quality was distributed to Islamic bank clients who visited or transacted at the bank's Palembang Syariah service office.

Simple linear regression analysis and Structural Equation Modeling (SEM) are employed as methods for data analysis. The influence of the predictor factors (independent variables) on the dependent variable was determined using simple linear regression analysis. In this investigation, a simple linear regression analysis was applied as follows:

$$Y = a + b1X1 + e \ (1)$$

Information:
Y equals service level.
a   = constant
b1 = coefficient for marketing variable internal
e   = error

An additional test, the t-test, is required to determine which coefficient is not equal to zero. The t-statistic examination reveals how a single independent variable can explain much variance in the dependent variable. Ho is accepted, and Ha is rejected if the probability value is more than 0.05 and significant. If the probability number is significant at 0.05, Ho is rejected, while Ha is approved. In addition, the F-test is utilized to simultaneously test the regression coefficient (slope) hypothesis, i.e., to determine whether or not the selected model can interpret the influence of the independent variable on the dependent variable. If the significance probability is less than 0.05, it is argued that the independent variable influences the dependent variable simultaneously. R2 is a statistic that indicates how effectively a model can explain the variation of a dependent variable (Kadir, 2015).

The data were examined using basic linear regression before SEM analysis, which attempts to characterize and validate the theoretical model of internal marketing's impact on service quality. SEM was chosen due to its ability to simultaneously examine complex, interrelated interactions, as this study paradigm requires. SEM is calculated by an analysis of variance and covariance matrix, yielding more accurate findings than linear regression analysis (Hair, Black, Babin, & Anderson, 2009). Versions 20 of SPSS and 24 of Amos will be used to analyze the data.

Analyzing the Impact of Internal Marketing on the Quality of Customer Service

At this point, the collected data will be assessed using a simple linear regression technique. The results of the analysis are displayed in the table below.

Table 1. *Test of Coefficient Analysis*

Unstandardized Coefficients		t	Sig.
B	**Std. Error**		
7.205	.883	8.157	.000
.397	.054	7.369	.000

The source: *(Data processing with SPSS, 2022)*

Using the following table of coefficients as a starting point, the regression equation will be as follows:

$$Y = 7{,}205 + 0.397\ X1$$

The regression above equation indicates that internal marketing (X1), with a value of 0.397, contributes to determining the quality of customer service. A t-test was run on the column Sig of the table coefficients. The discovered significance value is 0.000, less than 0.005, indicating that Ho is rejected and H1 is accepted. Internal marketing has a positive effect on the service quality provided to Islamic Bank customers in Palembang. According to a study conducted, internal marketing has a beneficial impact on service quality. It was discovered (Finaritra, 2021) that providing personnel with effective internal marketing will be satisfied and directly improve service quality for customers.

Table 2. *Model Synopsis*

| Adjusted R Square	Sig. F Change
.196	.000

The source: *(Data processing with SPSS, 2022)*

The results presented in the table Model Summary are Sig. of 0.000 or less than 0.05, suggesting that the above-created regression model can simultaneously interpret the independent variable's effect on the dependent variable. A value of 0.196 is obtained in the

column labeled Adjusted R Square, showing that the contribution of internal marketing selected for this study influences the quality of customer service by 19.6 percent, with the remaining 80.4% influenced by variables beyond the scope of this study. As a result of these findings internal marketing influences the service quality of Islamic Bank clients in Palembang City by 19.6%. Internal Marketing's Impact on Service Quality is Examined Using a Theoretical Model

Model Structural

In the initial regression analysis, it was demonstrated that internal marketing affected customer service quality. The internal marketing strategy will subsequently be evaluated for customer service quality. The data were analyzed using SEM, and the entire model depicted in Figure 2 was estimated with no linked measurement errors.
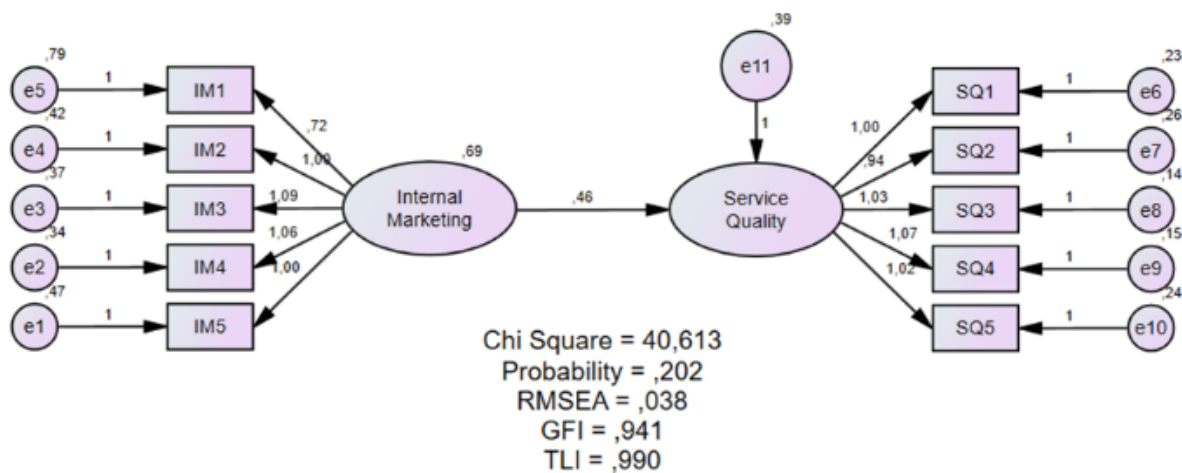
Figure 2. *Effect of Internal Marketing Model Fit on Service Quality*

The graphic displays a structural model that meets the standards for fit. The indication satisfies the criteria for a good fit with the overall structure (Chi-square, Probability, RMSEA, GFI, NFI, CFI, and TLI). According to (Hair et al., 2009), a model must have at least three to four indexes in the excellent fit group to be practical or adequate. According to the goodness of fit test results, the whole research design has more than three indexes within the acceptable range. Table 3 displays the SEM results for the model fit test.

Table 3. *Model Fit Test Results*

No.	Model Fit Index Components	Critical Value	Analysis Result Value	Description
	Absolute fit measure :			
	Chi-square	≤106,39	40,613	Fit
1.	Prob (significant)	≥ 0,05	0,202	Fit
	Root Means Square Error of	≤ 0,08	0,038	Fit
	Approximation (RMSEA)	≥ 0,90	0,941	Fit
	The goodness of Fit Index (GFI)			
	Incremental fit measures :			
2	Normed Fit Index (NFI)	≥ 0,90	0,956	Fit
	Comparative Fit Indeks (CFI)	≥ 0,90	0,992	Fit

The source: *(Data processing with Amos, 2022)*

The test results for the measurement model indicate that the chi-square probability meets the fit criteria. Except for two RMSEA values over 0.08, all GFI, NFI, CFI, and TLI

values exceeding 0.90 also satisfy the fit requirement. Because sample size and measurement irregularities have a substantial effect on the RMSEA result, this is the case. The pertinent fit index demonstrates how well the proposed research model corresponds with the data. This study examines the relationship between variables after validating the model. The following table displays the results of testing each dimension's influence.

Table 4. *Measurement Model*

Direct Effect Model			Loading Factor Estimate	Probability	Description
Service_Quality	<---	Internal_Marketing	,521	***	Significant
IM5	<---	Internal_Marketing	,772		Not Significant
IM4	<---	Internal_Marketing	,834	***	Significant
IM3	<---	Internal_Marketing	,831	***	Significant
IM2	<---	Internal_Marketing	,790	***	Significant
IM1	<---	Internal_Marketing	,562	***	Significant
SQ1	<---	Service_Quality	,835		Not Significant
SQ2	<---	Service_Quality	,805	***	Significant
SQ3	<---	Service_Quality	,892	***	Significant
SQ4	<---	Service_Quality	,894	***	Significant
SQ5	<---	Service_Quality	,836	***	Significant

Note: **** *sign means significant <0.001*
The source*: (Data processing with Amos, 2022)*

Upon confirmation of the hypothesis, the internal-marketing component significantly impacts the quality of customer service. According to various research, internal marketing and customer service quality have a favorable solid correlation. Theoretical expectations from the literature study also support this result. Typically, the route coefficient between two latent variables is 0.521. This indicates that for every 10 percentage point increase in internal marketing perception, a 5.21 percentage point increase in customer service quality may be anticipated.

The results of the structural equation indicate that employees who perceive effective internal marketing at Bank Syariah will tend to increase customer service (see Figure 2 and Table 4). Moreover, the table's data shows two dimensions with the late variable are not statistically significant. IM5 (employee participation in external communication) and SQ1 are not statistically significant (Tangible). This study suggests that staff participation in external communication has little consequence on the effect of internal marketing on the quality of customer service. In addition, this study reveals that there is no Tangibel role in the influence of internal marketing on customer service quality, as measured by the fifth dimension of service quality.

Based on the outcomes of this study, model testing reveals a significant relationship between internal marketing and customer service quality. This conclusion is substantial since the rate of customer service increases by 52.1% for every 100 percent increase in good internal marketing conditions. In conclusion, the findings demonstrate that internal marketing substantially impacts customer service quality. Internal marketing directly impacts customer service quality, as shown by the results of this study, which will aid Bank Syariah in generating actionable recommendations to enhance customer service quality. If a company wants to develop a quality-based strategy for improving customer service, it must first comprehend how marketing education and training, management support, internal communication, and personnel management affect customer service quality. This conclusion supports the research-

based notion that organizations should engage in employee internal marketing to enhance service quality (Fuciu & Dumitrescu, 2018).

Conclusion

Internal marketing has a significant impact on service quality. Additionally, the data has been used to validate the theoretical model. This shows that the service quality will improve as internal marketing increases. Bank Syariah in Palembang should maintain and enhance its internal marketing strategies to enhance the quality of service provided to its customers by focusing on the security of customer transactions, providing consistent quality services, and boosting customer confidence in bank services. Recommendations for further research on the existence of this internal marketing model that influences service quality should be tested on other Bank Syariah locations besides Palembang, not only for its effect on customer service quality but also for. its effect on brand equity, customer loyalty, and customer retention.

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