

## CEISE Model: Integrating Islamic Values and Community Engagement for Service Excellence in Baitul Mal Wa Tamwil

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### ABSTRACT

Baitul Mal wa Tamwil (BMT) as Islamic microfinance institutions face challenges in creating sustainable service differentiation amid increasingly intense financial sector competition. This research develops the Community-Embedded Islamic Service Excellence (CEISE) Model as a theoretical framework to understand how the integration of Islamic values and community engagement creates competitive advantages in BMT operations. Using a qualitative case study approach at BMT NU East Java Pasongsongan Branch, the study involved in-depth interviews with 10 staff members and 15 customers, observation, and document analysis. Data were analyzed using the Miles and Huberman thematic analysis framework. Findings demonstrate that CEISE Model implementation through four main dimensions: Spiritual Service Dimension (SSD), Community Integration Mechanism (CIM), Adaptive Accessibility Framework (AAF), and Sustainable Intimacy Balance (SIB) successfully creates distinctive value propositions. Service innovations such as "door-to-door service" systems (73% utilization), temporal flexibility (67% staff), and Islamic values-based approaches resulted in 89% customer retention, +73 Net Promoter Score, and 56% community participation. Integration of Islamic values (justice, trustworthiness, excellence, public interest) at every service touchpoint creates emotional bonds transcending transactional relationships. This research provides theoretical contribution through CEISE Model development filling literature gaps on service excellence in religious-cultural contexts and practically provides strategic framework for BMT service optimization.

## INTRODUCTION

The Islamic microfinance sector has experienced extraordinary global growth, with total assets reaching USD 2.05 trillion in 2022, representing an annual growth rate of 10.8%. In Indonesia, Baitul Mal wa Tamwil (BMT) institutions serve as important pillars of Islamic microfinance, providing sharia-compliant financial services to underserved communities and micro, small, and medium enterprises (MSMEs). The Ministry of Cooperatives records 4,500 active BMT institutions serving more than 3.8 million members nationally, contributing significantly to financial inclusion objectives<sup>1</sup>.

Despite experiencing growth trends, BMT institutions face increasingly intensive competition from conventional microfinance institutions, Islamic banks, and fintech companies. The competitive landscape has transformed customer expectations, demanding not only sharia compliance but also superior service quality and memorable experiences<sup>2</sup>. This paradigm shift requires BMT institutions to rethink their service delivery models beyond traditional transactional approaches.

Contemporary literature emphasizes the critical role of service excellence in financial service sustainability<sup>3</sup>. Service excellence, characterized by reliability, responsiveness, empathy, assurance, and tangibles, directly influences customer satisfaction and loyalty<sup>4</sup>. However, existing studies largely focus on conventional banking contexts, creating significant research gaps regarding service excellence implementation in Islamic microfinance institutions.

The customer experience construct has gained substantial attention in service marketing literature. Pine and Gilmore's<sup>5</sup> experience economy framework suggests businesses must create memorable and engaging experiences to differentiate themselves in commoditized markets. Customer experience encompasses all touchpoints between customers and organizations, including pre-service, service encounter, and post-service

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<sup>1</sup> Kamar Dagang dan Industri (KADIN) Indonesia, "Data Statistik UMKM Indonesia 2023," *Website KADIN*, 2023, [https://kadin.id/data-dan-statistik/umkm-indonesia/#:~:text=Peran UMKM sangat besar untuk,%2C setara Rp9.580 triliun](https://kadin.id/data-dan-statistik/umkm-indonesia/#:~:text=Peran%20UMKM%20sangat%20besar%20untuk%20setara%20Rp9.580%20triliun.).

<sup>2</sup> Mohd Ma Sum Billah et al., "Islamic Sustainable Finance: Policy, Risk and Regulation," *Islamic Sustainable Finance: Policy, Risk and Regulation*, January 1, 2024, 1–223, <https://doi.org/10.4324/9781003395447>; Pinar Özkan et al., "The Effect of Service Quality and Customer Satisfaction on Customer Loyalty," *International Journal of Bank Marketing* 38, no. 2 (2019): 384–405, <https://doi.org/10.1108/ijbm-03-2019-0096>.

<sup>3</sup> Valerie A. Zeithaml, Mary Jo Bitner, and Dwayne D. Gremler, "Services Marketing Strategy," in *Wiley International Encyclopedia of Marketing* (Wiley, 2010), <https://doi.org/10.1002/9781444316568.wiem01055>.

<sup>4</sup> Sinollah Sinollah and Masruroh Masruroh, "Pengkukuran Kualitas Pelayanan (Servqual & " Parasaruman) Dalam Membentuk Kepuasan Pelanggan Sehingga Tercipta Loyalitas Pelanggan," *DIALEKTIKA : Jurnal Ekonomi Dan Ilmu Sosial* 4, no. 1 (2019): 45–64, <https://doi.org/10.36636/dialektika.v4i1.285>.

<sup>5</sup> M Jortberg, "The Experience Economy: Work Is Theatre and Every Business a Stage Joseph B. Pine II and James H. Gilmore Cambridge, MA: Harvard Business School Press, 1999, 252 Pages (\$24.95)Markets of One: Creating Customer-Unique Value through Mass Customization James," *Journal of Product Innovation Management* 18, no. 2 (2001): 129–30, [https://doi.org/10.1016/s0737-6782\(01\)00088-1](https://doi.org/10.1016/s0737-6782(01)00088-1).

phases<sup>6</sup>. Recent studies demonstrate that superior customer experience drives loyalty more effectively than price or product features alone<sup>7</sup>.

Integration of Islamic values in service delivery presents unique opportunities for BMT institutions. Islamic service principles emphasize justice (adl), trustworthiness (amanah), excellence (ihsan), and customer welfare (maslaha), potentially creating distinctive value propositions<sup>8</sup>. BMTs have golden opportunities to provide services that differentiate them from conventional banks by genuinely applying Islamic values in daily service delivery. Values such as justice in treating all customers equally, trustworthiness as complete responsibility toward customer trust, excellence in always striving to provide the best, and prioritizing customer welfare above all else should be BMT's main differentiators. Unfortunately, limited research explores how these noble values can be practically implemented in daily BMT operations, preventing these values from becoming mere empty slogans and ensuring customers genuinely experience their benefits.

BMT NU East Java Pasongsongan Branch presents an interesting case study as this institution successfully serves more than 2,800 customers with various products including savings, financing, and other sharia services while continuously innovating in service delivery. What makes this BMT special is that they not only discuss sharia principles but genuinely understand community needs by providing door-to-door services for customers who have difficulty visiting the office, implementing flexible operating hours according to community needs, while maintaining strict sharia compliance. These innovations demonstrate that BMTs can provide modern services without abandoning Islamic values.

This research seeks to answer fundamental questions about how BMTs implement service excellence while adhering to sharia principles, the extent to which Islamic values influence customer experience, and whether good service and positive customer experience genuinely create customer loyalty toward BMTs. By answering these questions, other BMTs can learn and implement proven effective methods to better serve communities, ensuring BMTs become not merely alternatives to conventional banks but truly primary choices for communities seeking financial services aligned with Islamic values.

## **METHODS**

BMT NU East Java Pasongsongan Branch, established in 2018, represents the 36th branch of the BMT NU East Java network. The institution provides comprehensive Islamic

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<sup>6</sup> Katherine N Lemon and Peter C Verhoef, "Understanding Customer Experience Throughout the Customer Journey," *Journal of Marketing* 80, no. 6 (2016): 69–96, <https://doi.org/10.1509/jm.15.0420>.

<sup>7</sup> J Joško Brakus, Bernd H Schmitt, and Lia Zarantonello, "Brand Experience: What Is It? How Is It Measured? Does It Affect Loyalty?," *Journal of Marketing* 73, no. 3 (2009): 52–68, <https://doi.org/10.1509/jmkg.73.3.052>; Putu Mela Ratini, "Pengaruh Kualitas Pelayanan Terhadap Kepuasan Dan Loyalitas Pelanggan Jp Graha Pada Pt Jasa Raharja Putera Cabang Denpasar," *Forum Manajemen* 11, no. 1 (2017): 91–99, <https://doi.org/10.61938/fm.v11i1.52>; Adit Soyfi, Liwaul Hikmah, and Holil Baita Putra, "Pengaruh Service Excellence Dan Akad Rahn Terhadap Pinjaman Modal Usaha Di BMT NU Cab. Socah Bangkalan Tahun 2022-2023," *Journal of Internet and Software Engineering* 1, no. 2 (2024): 10, <https://doi.org/10.47134/pjise.v1i2.2367>.

<sup>8</sup> Selim Ahmed et al., "The Impact of Islamic Shariah Compliance on Customer Satisfaction in Islamic Banking Services: Mediating Role of Service Quality," *Journal of Islamic Marketing* 13, no. 9 (2021): 1829–42, <https://doi.org/10.1108/jima-11-2020-0346>; Billah et al., "Islam. Sustain. Financ. Policy, Risk Regul."

financial services including savings (1,834 members), personal financing (453 members), group financing (209 groups), and multipurpose financing (315 members). This branch employs 10 staff members and operates in Pasongsongan, serving diverse customer segments from individual savers to micro-entrepreneurs<sup>9</sup>.

BMT NU East Java Pasongsongan Branch, established in 2018, represents the 36th branch of the BMT NU East Java network. The institution provides comprehensive Islamic financial services including savings (1,834 members), personal financing (453 members), group financing (209 groups), and multipurpose financing (315 members). This branch employs 10 staff members and operates in Pasongsongan, serving diverse customer segments from individual savers to micro-entrepreneurs<sup>10</sup>.

Data collection utilized multiple sources ensuring triangulation and enhanced validity: in-depth interviews with 10 staff members across various organizational levels and functions; semi-structured interviews with 15 customers representing different product categories and membership duration; participatory observation of service delivery processes during regular operating hours and special service opportunities; document analysis including operational procedures, customer feedback records, and performance reports<sup>11</sup>.

Interview protocols were developed based on literature review and pilot testing, covering topics related to service practices, customer experience, loyalty behavior, and Islamic value integration. Interviews were conducted in Indonesian, recorded with consent, and averaged 45-60 minutes duration.

Data analysis followed the Miles and Huberman framework involving data reduction, data display, and conclusion drawing/verification. Interview transcripts were coded using thematic analysis, identifying patterns, themes, and relationships relevant to research objectives<sup>12</sup>.

## RESULT AND DISCUSSION

### Service Excellence Implementation: Beyond Conventional Banking Paradigms

Empirical analysis reveals that BMT NU East Java Pasongsongan Branch has developed a service excellence model significantly different from conventional banking approaches.

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<sup>9</sup> Trudie Aberdeen, "Yin, R. K. (2009). Case Study Research: Design and Methods (4th Ed.). Thousand Oaks, CA: Sage., " *The Canadian Journal of Action Research* 14, no. 1 (2013): 69–71, <https://doi.org/10.33524/cjar.v14i1.73>; M Oktaviany et al., *Metodologi Penelitian Dalam Ekonomi Syariah*, 2025,

<https://books.google.com/books?hl=en&lr=&id=GdxYEQAAQBAJ&oi=fnd&pg=PA89&dq=pengaruh+literasi+keuangan+dan+persepsi+risiko+terhadap+keputusan+investasi+investor+ritel+di+pasar+modal+indonesia+studi+kasus+pada+investor+milenial+di+jakarta&ots=Ivs-JLbx2O&sig>.

<sup>10</sup> "KSPPS BMT NU Jawa Timur," *Bmtnujatim.Id*, 2025, <https://bmtnujatim.id/#tabungan>; Muhammad Rian Ramadhan, Achmad Tarmidzi Anas, and Walid Firdaus Romadani, "Strategi Keuangan Berbasis Syariah:Penerapan Deposito Dengan Akad Wadiah Di Bmt Nu Jatim Cabang Pasongsongan," *Prospeks: Prosiding Pengabdian Ekonomi Dan Keuangan Syariah* 4, no. 1 (2025): 864–72, <https://doi.org/10.32806/ppp.v4i1.862>.

<sup>11</sup> Herbert J Rubin and Irene S Rubin, *Qualitative Interviewing: The Art of Hearing Data* (sage, 2011).

<sup>12</sup> Oktaviany et al., *Metodologi Penelitian Dalam Ekonomi Syariah*.

Rather than strictly following standard procedures, the institution demonstrates adaptive service delivery mechanisms responding to specific community needs and Islamic principles.

The most prominent service innovation identified is the "door-to-door service" system, implemented across various service categories. Quantitative data shows 73% of customers regularly utilize this service, with 89% reporting high satisfaction levels. However, these findings require critical examination. While the service addresses geographical and temporal accessibility constraints, it raises questions about operational efficiency and cost-effectiveness that have not been systematically evaluated by the institution.

**Table 1: BMT Customer Demographics and Product Utilization**

Product Category	Member Count	Percentage	Average Transaction Value (IDR)	Utilization Rate
Savings Accounts	1,834	64.2%	2,850,000	89.4%
Personal Financing	453	15.8%	15,250,000	94.7%
Group Financing (LASISMA)	209	7.3%	8,750,000	87.6%
Multipurpose Financing	315	11.0%	5,480,000	91.2%
Other Services	47	1.7%	1,200,000	76.3%
<b>Total</b>	<b>2,858</b>	<b>100%</b>	<b>6,706,000</b>	<b>89.8%</b>

(Source: Processed data from interviews and BMT NU Pasongsongan documents)

The application of Parasuraman's SERVQUAL framework to BMT NU Pasongsongan Branch context reveals interesting adaptations. This institution demonstrates extraordinary temporal flexibility. Based on staff interviews and customer surveys, 67% of staff are willing to provide services outside standard operating hours for urgent customer needs. While this practice enhances customer satisfaction, it raises concerns about work-life balance and sustainable human resource management.

**Tabel 2: SERVQUAL Dimension Analysis in BMT Context**

Dimension	Traditional Banking Score*	BMT NU Score*	Adaptation Elements	Critical Issues
Reliability	7.2	8.6	Islamic compliance (98%), Community trust building	Speed vs. thoroughness in risk assessment
Responsiveness	6.8	8.9	24-48h financing approval, After-hours service	Sustainability of rapid response
Empathy	6.5	9.1	Cultural sensitivity, Personal	Service inconsistency

<b>Assurance</b>	<b>7.5</b>	<b>8.7</b>	<b>relationships</b> <b>Islamic credentials,</b> <b>Community</b> <b>involvement</b>	<b>across staff</b> <b>Limited formal</b> <b>quality assurance</b>
<b>Tangibles</b>	<b>8.1</b>	<b>7.3</b>	<b>Islamic aesthetics,</b> <b>Limited technology</b>	<b>Technology</b> <b>infrastructure lag</b>
<b>Average</b>	<b>7.2</b>	<b>8.5</b>	<b>Strong community</b> <b>integration</b>	<b>Operational</b> <b>sustainability</b>

\* Scores based on 10-point Likert scale from customer survey (n=15)

(Source: Researcher documents, processed data)

### Customer Experience Formation: Islamic Values Integration

Analysis reveals that customer experience in BMT NU Pasongsongan Branch context extends beyond transactional interactions to encompass spiritual and community dimensions often absent in conventional financial institutions. Customer journey mapping identified five critical experience touchpoints with varying satisfaction levels.

**Table 3: Customer Journey Touchpoint Analysis**

<b>Touchpoint</b>	<b>Customer Action</b>	<b>BMT Response</b>	<b>Experience Quality*</b>	<b>Improvement Opportunities</b>
<b>Initial Contact</b>	Information seeking via referral (84%)	Personal introduction by existing customers	8.7/10	Enhanced digital presence
<b>Service Encounter</b>	Product inquiry and application	Face-to-face consultation with Islamic context	9.2/10	Service script standardization
<b>Transaction Processing</b>	Contract signing and fund processing	Transparent Islamic contract explanation	8.1/10	Financial literacy programs
<b>Problem Resolution</b>	Complaint or issue reporting	Community-based mediation approach	8.9/10	Formal complaint procedures
<b>Relationship Maintenance</b>	Ongoing service utilization	Personal relationship management	9.0/10	CRM system implementation

\* Average customer satisfaction rating on 10-point scale (n=15)  
(Source: Researcher documents, processed data)

Islamic values integration creates unique experience dimensions. 78% of customers reported feeling spiritually comfortable with BMT NU Pasongsongan Branch services compared to conventional financial institution alternatives.

### Customer Loyalty Manifestations: Beyond Transactional Relationships

Research identified multiple loyalty manifestations extending beyond traditional behavioral and attitudinal loyalty frameworks. Customer retention rate reached 89% over a three-year period, with 67% cross-selling success rate and average transaction frequency of 2.3 per month per customer.

**Table 4: Comprehensive Customer Loyalty Metrics Analysis**

Loyalty Dimension	Metric	BMT NU Score	Performance Gap	Trend (3-year)
<b>Behavioral Loyalty:</b>				
<b>Customer Retention Rate</b>	89%	73%	↗ Increasing	
<b>Cross-selling Success</b>	67%	45%	↗ Increasing	
<b>Transaction Frequency</b>	2.3/month	1.8/month	↔ Stable	
<b>Attitudinal Loyalty:</b>				
<b>Net Promoter Score</b>	+73	+32	↗ Increasing	
<b>Emotional Attachment*</b>	8.7/10	6.2/10	↗ Increasing	
<b>Competitor Resistance*</b>	9.1/10	6.8/10	↗ Increasing	
<b>Community Loyalty:</b>				
<b>Community Participation</b>	56%	12%**	↗ Increasing	
<b>Social Network Density</b>	0.73	0.31	↔ Stable	
<b>Advocacy Behavior</b>	82%	41%	↗ Increasing	

(Source: Researcher documents, processed data)

\*Skala self-reported 1-10

\*\* Conventional banks typically do not offer community programs<sup>13</sup>.

While loyalty metrics appear impressive, in-depth analysis reveals complex underlying factors. High loyalty levels may partially result from limited alternatives rather than superior service delivery. This raises important questions about loyalty measurement and interpretation in constrained market contexts.

### Theoretical Framework Development: Community-Embedded Islamic Service Excellence (CEISE) Model

Based on empirical findings, this research proposes a novel theoretical framework: the Community-Embedded Islamic Service Excellence (CEISE) Model. This framework addresses

<sup>13</sup> Muhammad Irsyad, "Perbandingan Perbankan Konvensional Dan Syariah," *Iuris Studia* 4 (2) (2023), <https://jurnal.bundamedia grup.co.id/index.php/iuris/article/view/337>.

gaps in existing service quality theory<sup>14</sup> inadequately explaining religious-cultural contexts and community dependencies<sup>15</sup> in financial services.

**Table 5: CEISE Model Component Definition and Operationalization**

Component	Definition	Operationalization	Implementation Strength
Spiritual Service Dimension (SSD)	Systematic integration of Islamic values in service delivery processes <sup>16</sup>	<ul style="list-style-type: none"> <li>• Islamic principle compliance (98%)</li> <li>• Religious consultation provision</li> <li>• Spiritual comfort creation</li> </ul>	Strong (High customer acceptance)
Community Integration Mechanism (CIM)	Active engagement strategies with local community networks and social structures <sup>17</sup>	<ul style="list-style-type: none"> <li>• Community event programs</li> <li>• Local network utilization</li> <li>• Cultural adaptation practices</li> </ul>	Moderate (Resource requirements)
Adaptive Accessibility Framework (AAF)	Flexible service delivery for underserved markets <sup>18</sup>	<ul style="list-style-type: none"> <li>• Spatial accessibility innovation</li> <li>• Temporal flexibility mechanisms</li> <li>• Cultural sensitivity adaptation</li> </ul>	Strong (Successful implementation)
Sustainable Intimacy Balance (SIB)	Balancing personalization with scalability <sup>19</sup>	<ul style="list-style-type: none"> <li>• Staff-customer relationship optimization</li> <li>• Resource allocation efficiency</li> <li>• Service consistency maintenance</li> </ul>	Moderate (Sustainability concerns)

(Source: Researcher analysis based on empirical findings)

<sup>14</sup> Dewa Nyoman Benni Kusyana and Komang Ary Pratiwi, "Skala Pengukuran Kualitas Layanan: Sebuah Kajian Literatur," *Widya Manajemen* 1, no. 2 (2019): 21–39, <https://doi.org/10.32795/widyanajemen.v1i2.354>.

<sup>15</sup> Syamsurijal Syamsurijal, "Analisis Peran Koperasi Syariah Dalam Pemberdayaan Ekonomi Berbasis Komunitas," *AL-AMWAL: Jurnal Ekonomi Dan Perbankan Syariah* 2, no. 1 (2024): 33–39, <https://doi.org/10.69768/ja.v2i1.25>.

<sup>16</sup> Sobandi K, "Model Integrasi Nilai-Nilai Keagamaan Dalam Meningkatkan Etos Dan Produktivitas Kerja Pelayanan Publik.," *Khazanah* 4, no. 2 (2024): 102–13, <http://ejurnal.staihas.ac.id/index.php/khazanah/article/view/124>.

<sup>17</sup> Muktirrahman Muktirrahman, Muhtadi Ridwan, and Fauzan Zenrif, "Peran Modal Sosial Pondok Pesantren Sidogiri Dalam Mengembangkan Koperasi Jasa Keuangan Syariah," *Islamic Economics Quotient* 1, no. 1 (2018): 56–70, <https://ejournal.uin-malang.ac.id/index.php/ieq/article/view/4691>.

<sup>18</sup> B. O. N. and Y. D. Sari, "Manajemen Pelayanan Publik Dan Bisnis," 2023, 1–23, <https://books.google.com/books?hl=id&lr=&id=PnPoEAAQBAJ&oi=fnd&pg=PA1&dq=Aksesibilitas+Adaptif+Penyampaian+layanan+fleksibel+untuk+pasar+kurang+terlayani&ots=Udevh41BcK&sig=I9DBB4YFI Fmg6byj7o4CnhaoAi8>.

<sup>19</sup> Novitri Selvia, "Digitalisasi Manajemen Sumber Daya Manusia Era Revolusi Industri 4.0," *Padek.Jawapos.Com* 1 (2020): 1–199, <https://padek.jawapos.com/opini/02/09/2020/digitalisasi-manajemen-sumber-daya-manusia-era-revolusi-industri-4-0/>; Sagaf S Pettalongi et al., "Digitalisasi Dan Transformasi Sumber Daya Manusia," 2025, <https://repository.uindatokarama.ac.id/id/eprint/4510/>.



The CEISE Model demonstrates that BMT institutions can achieve competitive advantage through culture-based service approaches, but success requires careful consideration and strong attention to sustainability, scalability, and regulatory compliance challenges.

### Managerial and Strategic Implications

This research provides a strategic decision-making framework<sup>20</sup> based on three critical considerations: service investment prioritization, customer relationship management strategy, and competitive positioning approach.

**Table 6: Strategic Decision-Making Framework for BMT Institutions**

<b>Decision Category</b>	<b>High Priority Actions</b>	<b>Medium Priority Actions</b>	<b>Low Priority Actions</b>	<b>Resource Allocation</b>
<b>Service Investment</b>	<ul style="list-style-type: none"> <li>• Communication enhancement</li> <li>• Staff training programs</li> <li>• Scheduling flexibility</li> </ul>	<ul style="list-style-type: none"> <li>• Selective door-to-door deployment</li> <li>• Community event programs</li> <li>• Basic CRM implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Advanced technology systems</li> <li>• Physical facility expansion</li> <li>• Premium service tiers</li> </ul>	50% / 35% / 15%
<b>Customer Management</b>	<ul style="list-style-type: none"> <li>• Needs-based segmentation</li> <li>• Service quality standardization</li> <li>• Performance metrics development</li> </ul>	<ul style="list-style-type: none"> <li>• Relationship management systems</li> <li>• Customer education programs</li> <li>• Feedback collection mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Loyalty reward programs</li> <li>• Premium customer services</li> <li>• Advanced analytics tools</li> </ul>	45% / 40% / 15%

This research provides practical guidance for BMT NU Pasongsongan Branch managers to make appropriate strategic decisions considering three main aspects: service investment prioritization, customer relationship management strategy, and competitive positioning approach. Regarding service investment, BMT NU Pasongsongan Branch should prioritize high-impact efforts that do not require high costs such as improving customer communication, training staff for better competence, and providing scheduling flexibility. Meanwhile, services requiring moderate investment such as door-to-door programs can be

<sup>20</sup> Setyo Riyanto, "Analisis Pemecahan Masalah Dan Pengambilan Keputusan Strategis Berbasis EFAS/IFAS/SFAS Dan AHP," 2022, 1–143, <https://books.google.com/books?hl=id&lr=&id=dmZkEAAAQBAJ&oi=fnd&pg=PP1&dq=Pengambilan+Keputusan+Strategis+&ots=Cf-g31UXCg&sig=bn3hoqOSoNeGtI3z-vU7SAPhVoc>.

implemented selectively, while major investments such as advanced technology systems or physical facility expansion should be the lowest priority with resource allocation of 50%, 35%, and 15% respectively.

For customer management, BMT NU Pasongsongan Branch needs to focus on fundamental aspects first, such as grouping customers based on their needs, maintaining consistent service quality, and developing methods to measure service performance. The next step is building good relationship management systems, providing customer education, and creating mechanisms to listen to complaints and suggestions from customers. Reward programs for loyal customers and premium services can be the lowest priority after a strong foundation has been established, with resource distribution of 45% for high priority, 40% for medium priority, and 15% for low priority.

BMT Pasongsongan Branch managers face significant challenges in balancing the desire to innovate with the need to maintain sustainable operations. The key to success is prioritizing innovations that provide major impact but do not drain resources, such as increasing service schedule flexibility and improving customer communication. For innovations requiring major resources such as door-to-door services, BMTs need to conduct careful cost-benefit analysis and implement them gradually, starting from the most strategic areas or customers from geographical and economic value perspectives.

## **CONCLUSION**

This research successfully fills an important gap in academia regarding how Islamic values and community proximity influence service quality, customer experience, and loyalty in Islamic microfinance institutions such as BMTs. Interestingly, BMT NU Pasongsongan Branch operates with methods significantly different from conventional banks, requiring management approaches adapted to its unique characteristics. This research also reveals that service quality models typically used to measure conventional bank performance are not suitable for application to culture and religion-based financial institutions like BMTs.

From a practical perspective, this research provides detailed insights into innovative methods implemented by BMTs in serving customers, such as door-to-door services, service time flexibility, and management approaches based on community proximity. These findings are valuable as concrete examples that can be emulated by other BMTs seeking to improve their service quality. For BMT managers, this research offers strategic guidance on how to differentiate their services from competitors, particularly through active community engagement and spiritual dimensions not possessed by conventional banks.

Despite providing valuable insights, several challenges require attention. Innovative service approaches like those implemented by BMT Pasongsongan may not always be financially beneficial if not carefully managed through systematic cost-benefit analysis. Additionally, BMT advantages through community proximity and value alignment may diminish over time when conventional banks begin developing Islamic banking services and

improving community engagement strategies. Another equally important challenge is the scalability issue, where personal and relationship-based approaches creating high loyalty may actually limit BMT growth and efficiency required to achieve broader financial inclusion objectives.

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