

THE EFFECT OF SERVICE QUALITY AND INTEREST RATES ON CREDIT DECISIONS AT PT PEGADAIAN UPC GLUGUR MEDAN

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Abstract: This research was conducted to evaluate the impact of service quality and interest rates on credit decision-making at PT Pegadaian UPC Glugur Medan. The study utilized a quantitative approach, with data gathered through a questionnaire. The population consisted of customers from Pegadaian UPC Glugur Medan. The sample size was determined using the Slovin formula, leading to a total of 98 respondents. Accidental sampling was the method used for selecting participants. Data analysis was performed using SPSS version 26.0. This study fulfilled both validity and reliability criteria. The data analysis included classical assumption tests and multiple linear regression tests, with the variable X1 (Service Quality) showing a coefficient of 0.375, the variable X2 (Interest Rate) at 0.382, and an R-squared value of 0.701. The findings of this research indicate that both service quality and interest rates exert a simultaneous and individual influence on credit decision-making.

Keywords: *Service Quality, Interest Rates, Credit Decisions, PT Pegadaian*

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1. Introduction

The financial sector in Indonesia is currently experiencing rapid growth in line with the surge in public demand for credit services, both for consumptive and productive needs. Amidst fierce competition between banking institutions, cooperatives, and the rapid emergence of fintech companies, PT Pegadaian, as a state-owned enterprise (BUMN), plays a strategic role in providing fast and simple pawn-based microfinance. The Glugur Medan Branch Service Unit (UPC) is one of the units that has become the first choice for the local community due to its reputation and ease of procedure.

However, the phenomenon occurring at Pegadaian UPC Glugur shows unstable fluctuations in the volume of credit applications. Customer complaints about long waiting times and a lack of clarity regarding additional fees and interest rate transparency are real obstacles in the field. Although service quality and interest rates are generally recognized as factors influencing customer decisions, there is a research gap that needs to be explored further. Many previous studies have focused more on investment products such as precious metals or gold savings, while the dynamics of credit decisions at the Branch Service Unit (UPC) level, which is in direct contact with the lower-middle class, still require more specific analysis, especially in the context of post-pandemic economic stability and interest rate competition with fintech.

The novelty of this study lies in the integration of a specific analysis of interest rate/capital lease policies applied based on loan categories (ranging from 1% to 1.2% per 15 days) at the Glugur UPC, combined with an evaluation of service quality in the era of Pegadaian service digitalization. This study not only examines the influence of variables in general but also highlights how customers at the small unit level respond to the transparency of credit cost information as a key determinant of their decisions. Using a quantitative approach through accidental sampling of 98 respondents, this study aims to provide an accurate empirical mapping for Pegadaian management in formulating more adaptive competitive strategies.

The results of this study are expected to fill the literature gap regarding consumer behavior in non-bank financial institutions in Medan and provide practical contributions to Pegadaian's efforts to maintain customer loyalty through its motto, "Overcoming Problems Without Problems."

2. Literature Review

2.1. Service Quality

Quality is an aspect that service providers need to focus on seriously. The excellence of a service or product plays a crucial role in a business's plan to achieve sustainable excellence, both as a leadership position and as a method for continuous development. Quality helps identify what provides value to customers, and businesses are required to deliver that value. Consequently, service organization management must prioritize service quality significantly.

According to Caniago (2022), Service quality refers to the efforts made to meet consumer demands for goods and services, as well as the accuracy of delivery that meets consumer expectations. To establish the desired level of service quality, an organization must first define its objectives. Services involve meeting needs through the direct involvement of others. The types of services people require can be broadly classified into two categories: personal physical services and administrative services offered by individuals within an organization, regardless of whether it is a large entity or a government agency. Ensuring high service quality requires effective management to meet customer needs. The level of service is considered successful or positive when it conforms to the planned service offerings.

The principles of service quality in every company must be able to fulfill the main principles of service quality in order to create a good image for the company and provide good quality to consumers. There are six basic principles of service quality according to (Bergman and Klefjso 2016), namely: 1) Mentoring Others, 2) Learning and Development, 3) Strategic Organization, 4) Assessment, 5) Interaction, 6) Rewards and Recognition

Service quality according to Sinollah and others (2023) includes reliability, awareness, attention, accuracy, consumers not having to wait long for service, the administrative abilities of service personnel, the technical abilities of service personnel, the social abilities of service personnel, security, and the concern of service personnel. Service quality dimensions or factors used by consumers or the dimensions of service quality or factors used by consumers or service users in determining service quality include five main dimensions that can be used to measure service quality, namely: 1) Tangibles, 2) Reliability, 3) Responsiveness, 4) Assurance, 5) Empathy.

2.2. Interest Rates

Interest rates are one of the important and influential variables in credit activities and the country's economy Mishkin, Eakins, and Ball (2020) When making a loan, the repayment comes from the calculation of the loan amount and interest costs or the loan itself. In principle,

interest is an amount of fees that must be paid for the use of funds for each unit of time that is determined in advance. Interest rates can also be interpreted as a percentage rate in calculating the amount of interest. If the loan interest rate is 5% per year, then 5% interest must be paid on the loan amount each year. The type of loan interest is the price set for the borrower for the loan he receives. This loan can be repaid in full or in installments within a certain period because the longer the repayment period, the higher the interest rate charged.

According to Kasmir (2021), In the banking sector, various types of loan interest rates can be categorized based on their characteristics and calculation methods, which include: 1) Fixed Interest Rates, 2) Variable Interest Rates. Santoso, C. E. (2013) explains that the factors affecting interest rates at PT. Pegadaian, both internally and externally, include: 1) The influence of monetary policy and the Bank Indonesia (BI) reference interest rate, 2) PT Pegadaian's operational costs, 3) Credit risk and types of loaned goods, 4) Macroeconomic conditions and national financial stability, 5) Level of competition among financial institutions, 6) Government policy and Financial Services Authority (OJK) regulations, 7) Pegadaian's capital structure and funding sources.

According to Pratiwi, (2021), interest rates are one of the factors that customers consider when deciding to borrow money, because these factors affect the total cost of the loan. 1) Interest Rate, 2) Ability to Manage Interest Expenses, 3) Clarity of Interest Terms, 4) Reliability and Uniformity, 5) Market Competitiveness.

From a managerial economics perspective, service quality and interest rates are not merely independent variables that stand alone, but rather stimuli that shape customers' perceptions of value. Service quality minimizes psychological barriers through comfort, while interest rates become a rational consideration related to the capital costs that customers must bear.

2.3. Credit Decisions

Customer Decisions in Taking Credit is a decision-making process in taking credit at a bank. According to Kuncoro and Adithya (2010) Customer choice in borrowing money involves choosing between two or more different options for obtaining a loan, which indicates that in order for someone to make a decision, there needs to be another choice. Therefore, according to this explanation, customer choice in obtaining a loan is a procedure completed by the customer when seeking a loan, after which the customer chooses one option from the available choices.

According to Kotler and Keller (2016), Consumer action refers to the steps individuals take to acquire and use a product or service, including the decision-making process behind those actions. In the context of PT Pegadaian, consumer action encompasses how people choose to access services such as gold pawning, financing options, gold investments, or digital offerings like Pegadaian Digital Service (PDS).

According to Simarmata and Wasiman (2022), the definition of customer decisions in taking out credit is an action taken by someone who intends to take out credit from a bank, whether to accept or reject it. Based on the above definition, there are five indicators of customer decisions in taking out credit, namely: 1) Views on worker effectiveness, 2) Satisfaction regarding the credit provided, 3) Provision of information upon request, 4) Proximity of residence to the pawnshop, 5) Evaluation of assistance.

Hypothesis

Based on the synthesis of the above theories, the hypotheses developed in this study are formulated as follows:

H1: The Effect of Service Quality on Credit Decisions

Excellent service quality creates added value for customers through easy procedures and staff professionalism. Theoretically, satisfaction with service interactions will strengthen customers' intentions to choose credit products over competitors.

Hypothesis: Service quality has a positive and significant effect on credit decisions.

H2: The Effect of Interest Rates on Credit Decisions

Interest rates are the price of using borrowed funds. The more competitive and transparent the interest rates offered, the lower the financial burden on customers, thereby increasing the attractiveness of credit products.

Hypothesis: Interest rates have a positive and significant effect on credit decisions.

H3: Simultaneous Effect of Service Quality and Interest Rates

Credit decisions are a holistic evaluation in which customers balance the benefits of the services received with the costs (interest) incurred. The integration of responsive services and competitive interest rate policies will be the main drivers in determining choices at PT Pegadaian UPC Glugur Medan.

Hypothesis: Service quality and interest rates simultaneously have a significant effect on credit decisions.

3. Research Methods

This study uses a quantitative approach based on positivism philosophy to test hypotheses through statistical analysis. The main focus of the study is to evaluate the effect of service quality and interest rate variables on customer decisions. This study was conducted at PT Pegadaian UPC Glugur Medan, with a research duration of six months, from November 13, 2025, to January 30, 2026. This period covered all stages of the research, from initial observation to final data processing.

The population in this study included all customers who made pawn transactions at PT Pegadaian UPC Glugur Medan, with a total of 4,260 people. Using the Slovin formula at a precision level of 10%, the sample size was set at 98 respondents. The sampling technique used was Accidental Sampling, where the researcher took samples from customers who were accidentally encountered at the research location without prior planning.

It should be noted that this method has limitations in terms of the generalization of results. Because the sample was taken based on the factor of "chance" when customers visited, there is a risk that the data collected only represents the characteristics of customers at a certain time or day, so it may not fully reflect the behavior of the entire customer population over a broader annual period.

The research data was sourced from two types of data, namely Primary Data obtained directly through the distribution of questionnaires to respondents, and Secondary Data in the form of relevant company documents, books, and archives. Each statement in the questionnaire is measured using a 5-point Likert scale. Customers are asked to provide a subjective assessment with a score range from 1 for "Strongly Disagree" to 5 for "Strongly Agree."

In order for this study to have a clear operational basis, the variables are defined as follows: Service Quality (X1): Defined as the totality of features and characteristics of services provided by Pegadaian employees to meet customer expectations. It is measured through the dimensions of tangibles, reliability, responsiveness, assurance, and empathy. Interest Rate (X2): This is the cost of capital or compensation set for loans received by customers in a certain time period.

This variable is measured through indicators of interest rate levels, affordability for customers, transparency in providing information, interest rate stability, and competitiveness compared to other financial institutions. Credit Decision (Y): This is the actual action taken by customers in choosing, accepting, or rejecting the credit products offered. This is influenced by the customer's evaluation of employee performance, satisfaction with the type of credit, available information, location accessibility, and overall service quality.

The collected data was processed using SPSS software version 26.0. The analysis stage began with an instrument test (Validity and Reliability) to ensure the accuracy of the measuring instruments. Next, a Classical Assumption Test was conducted, which included tests of normality, multicollinearity, and heteroscedasticity to ensure that the regression model met good econometric criteria. The final analysis used Multiple Linear Regression and hypothesis testing through the t-test (partial), F-test (simultaneous), and Coefficient of Determination (R^2).

4. Results and Discussion

4.1. Results

Respondent Characteristics

The selected participants were categorized based on their gender, specifically into male and female groups. The results of the participant categorization based on gender are shown in the table.

Table 1. Characteristics of Respondents Based on Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	47	49.4	49.4	49.4
	Female	51	50.6	50.6	100.0
	Total	98	100.0	100.0	

Source: Data processed with SPSS 26

Based on Table 1, it is clear that the majority of participants in this study were female, namely 51 respondents (50%), while the number of male respondents was 47 (49%). Therefore, it can be concluded that the clients of PT Pegadaian UPC Glugur Medan who participated in this study were mostly female.

Table 2. Respondent Characteristics Based on Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30	42	42.8	42.8	42.8
	31-40	15	15.5	15.5	58.3
	41-50	14	14.2	14.2	72.5
	51-60	19	19.3	19.3	100.0
	61-70	8	8.2	8.2	

Source: Data processed with SPSS 26

Based on the information in Table 2, individuals aged between 21 and 30 years old represent the largest portion, with 42 individuals or 42 % of the total. Furthermore, there are 15 people in the 31 to 40 years old age group, representing 15 %, while the 41 to 50 years old age group includes 14 individuals, representing 14 %. The 51 to 60 years old age group consists of 19 respondents, which is 19 %, and those aged 61 to 70 years old number 8 respondents, which is equivalent to 8 %. Therefore, it can be concluded that the majority of participants in this study fall into the 21 to 30 years old age category.

Table 3. Respondent Characteristics Based on Occupation

	Frequency	Percent	Valid Percent	Cumulative Percent
Self	42	42.8	42.8	42.8
Employed/Entrepreneur	5	5.6	5.6	48.4
Government Employees	30	30.4	30.4	78.8
Students/College Students	21	21.2	21.2	100.0
Private Employees	98	100.0	100.0	
Total				

Source: Data processed with SPSS 26

Based on Table 3, the analysis shows that in this study, 42 individuals, or 42.8%, worked as self-employed or entrepreneurs. A total of 5 individuals, or 5%, worked as civil servants or government employees. In addition, 30 individuals, or 30%, were recognized as employees in the private sector. Furthermore, 21 individuals, or 21%, also worked in the private sector. Thus, it can be concluded that the dominant group of self-employed or entrepreneurs in this study were those identified as self-employed or entrepreneurs.

Validity Test

Service Quality Validity Test

Table 4. Service Quality Validity Test

Statement Items	r count	r table	Information
X1.1	0,779	0,200	Valid
X1.2	0,591	0,200	Valid
X1.3	0,637	0,200	Valid
X1.4	0,652	0,200	Valid
X1.5	0,719	0,200	Valid

Source: Data processed with SPSS 26

Based on table 4 presented above, it is clear that each individual statement has a calculated r value that meets or exceeds the r table value of 0.200. The total number of participants in this study was 98 individuals, which means that the r table value at 96 degrees of freedom (N-2) at a significance threshold of 5% (0.05%) is 0.200. The findings obtained from SPSS calculations regarding the research instrument for the service quality variable indicate that the calculated r value exceeds 0.200 for each statement item. Therefore, it can be concluded that all statement items included in the Service Quality variable are considered Valid.

Interest Rate Validity Test

Table 5. Interest Rate Validity Test

Statement Items	r count	r table	Information
X2.1	0,651	0,200	Valid
X2.2	0,642	0,200	Valid
X2.3	0,677	0,200	Valid
X2.4	0,575	0,200	Valid
X2.5	0,685	0,200	Valid

Source: Data processed with SPSS 26

Based on the information presented in table 5 above, it is clear that all individual statement items have a calculated r value that is equal to or greater than the r table value (0.200). The total number of participants in this study was 98 individuals, so the r table value at $df = 96$ ($N-2$) at a significance level of 5% (0.05) is 0.200. SPSS analysis of the Interest Rate variable research instrument shows that the calculated r value exceeds 0.200 for each statement. Thus, it can be concluded that the Interest Rate variable is considered Valid.

Validity Test of Credit Decision Making

Table 6. Validity Test of Credit Decision Making

Statement Items	r count	r table	Information
Y1.1	0,789	0,200	Valid
Y1.2	0,626	0,200	Valid
Y1.3	0,679	0,200	Valid
Y1.4	0,679	0,200	Valid
Y1.5	0,643	0,200	Valid

Source: Data processed with SPSS 26

Based on the information presented in table 6 above, it is clear that each individual statement has a calculated r value that is equal to or exceeds the r value in the table at $df = 96$ ($N-2$) when considering a significance threshold of 5% (0.05%), which is 0.200. SPSS analysis for each component of the Credit Decision variable shows that the calculated r value exceeds 0.200 for all statement items. Therefore, it can be concluded that all statement items related to the Credit Decision variable are considered Valid.

Reliability Test

Service Quality Reliability Test

Table 7. Service Quality Reliability Test

Cronbach's Alpha	N of Items
.700	5

Source: Data processed with SPSS 26

Based on the information presented in Table 7 above, the Cronbach's Alpha score for the Service Quality variable is 0.700, which is greater than or equal to 0.60. Therefore, it can be concluded that each item in the statement regarding the Service Quality variable is considered reliable.

Interest Rate Reliability

Table 8. Interest Rate Reliability

Cronbach's Alpha	N of Items
.652	5

Source: Data processed with SPSS 26

Based on the data in Table 8 presented previously, Cronbach's Alpha for the Interest Rate factor is 0.652, which is greater than or equal to 0.60. Therefore, it can be concluded that each item in the Interest Rate variable statement is reliable.

Reliability of Credit Decisions

Table 9. Reliability of Credit Decisions

<i>Cronbach's Alpha</i>	N of Items
.712	5

Source: Data processed with SPSS 26

Based on the information presented in Table 9 above, the Cronbach's Alpha value for the Credit Decision variable is determined to be 0.712, which is greater than or equal to 0.60. Therefore, it can be concluded that each item in the Credit Decision variable shows reliability.

Classical Assumption Test

Normality Test

The purpose of normality assessment is to evaluate whether the dependent variable, independent variable, or both are normally distributed, approximately normally, or vice versa. A non-parametric statistical test known as the Kolmogorov-Smirnov test can be used to ensure normality, with a threshold greater than 0.05%. Consequently, if the Kolmogorov-Smirnov test produces a significance value exceeding 0.05%, the dataset is considered to follow a normal distribution. Furthermore, normality can be assessed through a normal plot, where it is assumed that if the data points align closely around the diagonal line and maintain a diagonal trajectory, this indicates a normal distribution pattern, thus implying that the regression model conforms to normality.

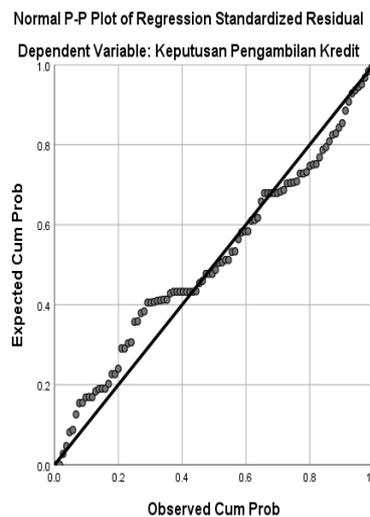


Figure 1. Graphic Normalities

Source: Data processed with SPSS 26

In the visual method, data is considered normally distributed when the points are spread around the line and fit the diagonal line. Therefore, according to Figure 1, it is clear that the points are spread around the line and fit the diagonal line, so it can be concluded that the regression model in this study meets the assumption of normality.

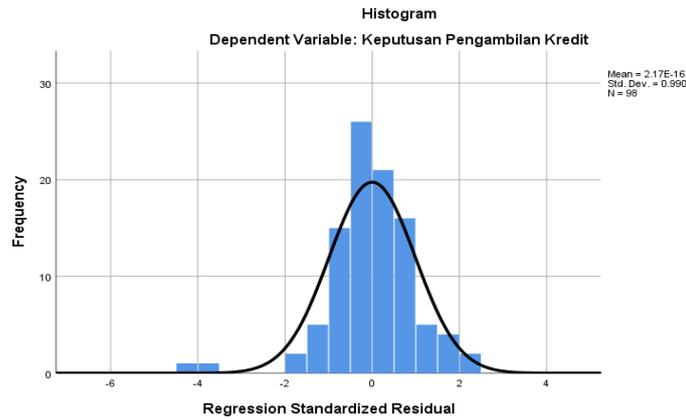


Figure 2. Histogram Normality Test
 Source: Data processed with SPSS 26

In the histogram shown in Figure 2, the normality assessment shows that the curve does not shift to the left or to the right. From this observation, it can be concluded that the dataset used in this study follows a normal distribution.

Table 10. Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		98
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.89428236
Most Extreme Differences	Absolute	.119
	Positive	.073
	Negative	-.119
Test Statistic		.119
Asymp. Sig. (2-tailed)		.200 ^{c,d}

Source: Data processed with SPSS 26

Based on Table 10, the asymptotic significance value (2-tailed) is 0.200, which is greater than 0.05%. Thus, it can be concluded that the information collected in this study follows a normal distribution.

Heteroscedasticity Test

The test for heteroscedasticity is conducted to assess if a linear regression model shows differing variances in the residuals across various observations. The heteroscedasticity test utilizes the scatterplot technique, which entails examining the plotted points on the regression scatterplot. In the absence of a distinct pattern and when points are distributed both above and below the zero mark on the y-axis, it indicates that heteroscedasticity is not evident.

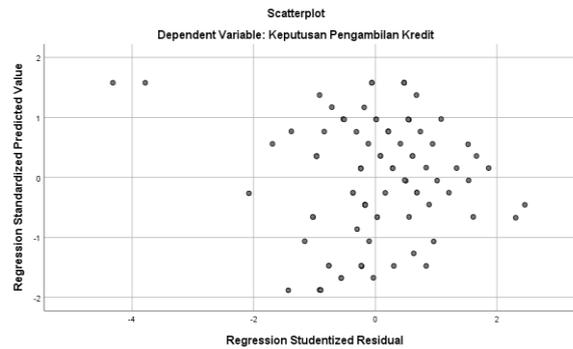


Figure 3. Heteroscedasticity Test
 Source: Data processed with SPSS 26

According to the information presented in Figure 3, it is evident that the data lacks a distinct pattern and is dispersed, with points located both above and below the y-axis value of 0. Therefore, one can deduce that there is no occurrence of heteroscedasticity.

Multicollinearity Test

The issue of multicollinearity can be detected through the Variance Inflation Factor (VIF) figure. When the VIF figure is under 10 and the Tolerance figure exceeds 0.10, it can be inferred that the regression model is free from multicollinearity.

Table 11. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Service Quality	.443	2.256
	Interest Rates	.443	2.256

Source: Data processed with SPSS 26

According to table 11, the Tolerance values for the Service Quality and Interest Rate variables are 0.443, which exceeds 0.10, while the VIF value stands at 2.256, remaining below 10. Therefore, it can be deduced that the regression model utilized in this research does not exhibit signs of multicollinearity.

Multiple Linear Regression Test

Table 12. Multiple Linear Regression Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5.188	1.681		3.086	.003
Service Quality	.375	.111	.372	3.384	.001
Interest Rates	.382	.111	.378	3.440	.001

Source: Data processed with SPSS 26

Based on the table above, the following regression equation has been obtained:

$$Y = a + 0.375X_1 + 0.382X_2 + e$$

- 1) The fixed value is 5.188, which means Service Quality (X1) and Interest Rate (X2) are set to 0 or remain unchanged, so the Credit Decision comes out to 5.188.
- 2) The regression coefficient for the Service Quality variable (X1) has a positive impact on the Credit Decision, with a coefficient of 0.375. This means that when the Service Quality variable increases by 0.375, it leads to a positive effect on the Credit Decision. On the other hand, if the Service Quality score goes down by 1 unit, the Credit Decision Y goes down by 0.375.
- 3) The regression coefficient for the Interest Rate (X2) is 0.382. This means that when the Interest Rate (X2) goes up by 1 unit, the Interest Rate itself increases by 0.382. On the other hand, when the Interest Rate (X2) goes down by 1 unit, the Credit Decision Y goes down by 0.382 units.

Hypothesis Testing

t test

This test aims to determine whether the independent variable has a partial or separate effect on the dependent variable. Therefore, to determine the t table with a 5% significance level, the following criteria are used:

- 1) H₀ is rejected if the calculated $t_{count} \geq t_{table}$ at $\alpha = 0.05$
- 2) H₀ is rejected if the calculated $t_{count} < t_{table}$ at $\alpha = 0.05$

Table 13. t Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5.188	1.681		3.086	.003
Service Quality	.375	.111	.372	3.384	.001
Interest Rates	.382	.111	.378	3.440	.001

Source: Data processed with SPSS 26

From the t-test results in Table 13, we can see how much each independent variable affects the dependent variable individually.

- 1) The t-value for the Service Quality variable is 3.384, and the t-table value is 1.966. So, it's clear that the t-value (3.384) is greater than the t-table value (1.966), and the significance level for the Service Quality variable is 0.001, which is below 0.05. So, based on this, we can say that the null hypothesis is not true and the alternative hypothesis is correct. This means that service quality has a positive and important influence on credit decision making.
- 2) The t-value for the Interest Rate variable is 3.440, and the t-table value is 1.966. It is known that the t-value of 3.440 is greater than the t-table value of 1.966, and the significance value for the Interest Rate variable is 0.001, which is less than 0.05. So, we can say that the null

hypothesis is rejected and the alternative hypothesis is accepted, which means that the interest rate has a positive and important influence on the credit decision.

F test

Table 14. F test Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	335.985	2	167.993	45.851	.000 ^b
Residual	348.066	95	3.664		
Total	684.051	97			

Source: Data processed with SPSS 26

Looking at table 14, above, the F value we calculated is 45.851, which is much higher than the F value in the table, which is 3.09. So, the calculated F value of 45.851 is higher than the F table value of 3.09, and the significance level is 0.000, which is less than 0.05. Therefore, it can be said that both Service Quality and Interest Rates have a big impact on the decisions people make when taking a loan at PT Pegadaian UPC Glugur Medan.

Coefficient of Determination Test (R2)

Table 15. Results of the Determination Coefficient Test (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.701 ^a	.491	.480	1.914

Source: Data processed with SPSS 26

Looking at table 15, we can see that the coefficient (R2) is 0.491. This means that the Credit Taking Decision variable is explained by the Service Quality and Interest Rate variables to about 49.1%. Meanwhile, the remaining 50.9% is due to other factors that weren't part of this study.

4.2. Discussion

The Influence of Service Quality on Credit Decisions at PT Pegadaian UPC Glugur Medan

Statistical test results show that service quality plays a crucial role in determining customer decisions at PT Pegadaian UPC Glugur Medan. Theoretically, this proves that when customers feel that tangibles (facilities) and responsiveness (staff speed) are fulfilled, psychological barriers to transactions will be reduced. This finding is in line with consumer behavior theory, which states that positive service experiences directly shape customer loyalty and stability in choosing credit products over competing financial institutions. Consistent quality provides a sense of security (assurance) that is an added value in the eyes of customers.

The results of this study are in line with the findings of a study conducted by Jipsya (2022), The statement shows that the quality of service has a positive and important influence on customers' choices to save Gold Savings at PT Pegadaian KC Talise. These results show that when pawnshops offer better service, customers are more likely to be interested and choose to

use their products and services. So, it means that when customers think the service is better, they are more likely to sell items or get loans from PT Pegadaian.

The Influence of Interest Rates on Loan Decisions at PT Pegadaian UPC Glugur Medan

Interest rates have proven to be a significant rational consideration for customers. Analytically, interest rates are not only viewed as a cost burden, but also as a representation of competitive economic value. Transparent explanations of capital rental costs without hidden fees build customer trust. These results reinforce the argument that customer sensitivity to “price” (interest rates) remains high; where affordable interest rate policies that are commensurate with the benefits received will automatically accelerate the credit decision-making process.

The results of this study are in line with the findings of a study conducted by Maknunah, Dewi, and Purbawati (2024), The statement says that interest rates have a positive and important influence on the choice to get a Fast and Secure Credit (KCA) from PT Pegadaian Demak Branch. These results indicate that interest rates are a key factor that customers take into account when deciding to take out credit. When the interest rate is lower, customers are more likely to pawn their belongings or get loans. So, having a competitive interest rate policy can help make customers more interested and more likely to use the credit products offered by PT Pegadaian.

The Influence of Service Quality and Interest Rates on Credit Decisions at PT Pegadaian UPC Glugur Medan

Collectively, the interaction between psychological aspects (service) and economic aspects (interest rates) creates a strong incentive for customers to take out loans. Excellence in only one variable is not enough to optimize customer decisions; synergy between responsive staff and favorable interest rate policies is required. The high value of the coefficient of determination (R^2) indicates that the combination of these two factors is a key pillar in PT Pegadaian UPC Glugur Medan's marketing strategy to retain and attract new customers amid increasingly fierce competition in the financial services industry.

The results of this study are in line with the findings of research conducted by Setyaningsih, Indriani, and Kartikasari (2023), The statement says that how good the service is and the interest rates are connected when making a decision about credit. In the pawn process, customers decide whether to take out loans based a lot on the service they receive and the interest rates they are offered. Therefore, good service quality and attractive interest rates are key factors that together affect customers' decisions when they apply for credit at PT Pegadaian UPC Glugur Medan.

5. Conclusion

This study concludes that service quality and interest rates are fundamental determinants that significantly influence credit decisions at PT Pegadaian UPC Glugur Medan. These findings prove that operational effectiveness, as reflected in service speed and transparency of capital rental costs, can build customer trust at the branch service unit level. Simultaneously, the integration of psychological aspects through responsive service and economic aspects through competitive interest rate policies creates a competitive advantage for the company in maintaining customer loyalty amid intense competition in the microfinance industry.

Academically, the results of this study contribute to the literature on business management and consumer behavior, particularly in the context of non-bank financial institutions. This

study strengthens the theoretical foundation regarding how external stimuli in the form of service quality and pricing instruments (interest rates) interact in the customer decision-making process. Additionally, the high coefficient of determination value of 49.1% provides scope for future research to explore other variables such as service digitalization through the Pegadaian Digital Service (PDS) application or company image, which are not fully explained in this model.

From a managerial perspective, these findings provide a strategic basis for PT Pegadaian UPC Glugur Medan to implement sustainable operational improvements, particularly in minimizing waiting times and increasing the clarity of additional cost information. Management needs to maintain adaptive and transparent interest rate policies in order to remain competitive with banking institutions and fintech companies. By aligning professional service quality with low capital costs, the company can not only expand its market share in the micro sector but also strengthen its brand position in line with its slogan, “Overcoming Problems Without Problems.”

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