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DETERMINANTS OF PURCHASE DECISIONS FOR SUBSIDIZED HOME OWNERSHIP LOANS IN CENTRAL JAVA

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ABSTRACT

Purpose: This study analyses the partial and simultaneous influence of promotion, service quality, and brand image on the purchase decision of subsidized home ownership loans (Kredit Pemilikan Rumah/KPR) among the community of Central Java, Indonesia.
Design/methodology/approach: A quantitative explanatory design was employed. Primary data were collected online from 101 respondents residing in Central Java who had applied for, or already held, a subsidized KPR, selected through non-probability purposive sampling. Data were analysed using multiple linear regression with IBM SPSS Statistics 26, preceded by validity, reliability, and classical assumption tests.
Findings: Promotion (t = 3.859; Sig. = 0.000), service quality (t = 4.078; Sig. = 0.000), and brand image (t = 2.068; Sig. = 0.041) each have a significant positive effect on purchase decisions, with service quality being the most dominant predictor. Simultaneously, the three variables significantly influence purchase decisions (F = 83.048; Sig. = 0.000), explaining 71.1% of the variance (Adjusted R^2 = 0.711).
Research limitations/implications: The sample of 101 respondents, drawn through non-probability purposive sampling from cross-sectional data, limits the generalisability of the findings to the wider population of Central Java.
Practical implications: The findings offer guidance for subsidized-mortgage distributor banks and housing-finance institutions in Central Java on strengthening promotional strategy, service quality, and brand image to broaden the reach of subsidized housing programmes.
Originality/value: This study provides new empirical evidence on the determinants of subsidized KPR purchase decisions specifically in Central Java, a province with a high yet unevenly distributed realisation of subsidized housing loans, thereby addressing a research gap left by inconsistent prior findings.
Paper type: Research paper.
Keyword: brand image; Central Java; promotion; purchase decision; service quality; subsidized home loan (KPR).

A. INTRODUCTION

Housing is one of the most fundamental human needs, alongside food and clothing, and home ownership is widely regarded as an indicator of improved quality of life, particularly for low-income communities (Senggetang & Sumarauw, 2019). In practice, however, limited income, rising property

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prices, and constrained access to financing prevent many households from acquiring a home independently. To address this gap, the Government of Indonesia provides a subsidized home ownership loan scheme, commonly known as KPR subsidi, channelled through the Housing Finance Liquidity Facility (Fasilitas Likuiditas Pembiayaan Perumahan/FLPP) managed by the Housing Finance Management Centre under the Ministry of Housing and Settlement Areas. The programme brings together distributor banks, property developers, and prospective low-income debtors within a single integrated housing-finance ecosystem (Sembiring & Sunargo, 2022).

The government has recently reinforced its commitment to this programme by maintaining a fixed 5% interest rate despite rising market rates, exempting the Land and Building Rights Acquisition Duty (BPHTB), waiving the Building Construction Approval (PBG) fee, and increasing the FLPP quota from 220,000 to 350,000 units nationally. In Central Java, the realisation of subsidized housing has reached 14,486 units as of August 2025, while the disbursement of subsidized KPR through the FLPP scheme reached 15,920 units by September 2025. Despite this considerable volume, distribution across regencies and cities remains uneven: Kendal Regency recorded the highest realisation (2,894 units), followed by Demak (1,463 units) and Semarang Regency (1,060 units), indicating disparities in resource access, information, and infrastructure across regions (Todaro & Smith, 2015).

Beyond the volume of disbursement, public complaints continue to surface regarding the subsidized KPR programme, ranging from limited information about eligibility requirements, to disputes over unit specifications following a change in site plan, to unresolved certificate transfer even after a loan has been fully repaid. These complaints point to three strategic factors shaping community decisions to take up subsidized KPR: promotion, since uneven realisation across regencies suggests that information about the programme has not reached all segments of society equally; service quality, since complaints about transparency and administration indicate that banking services have not fully met customer expectations; and brand image, since the high search volume for KPR products from the market-leading bank indicates that brand reputation shapes public preference.

Indonesia's residential property market context reinforces the relevance of these factors. Bank Indonesia's Residential Property Price Index (IHPR) for Central Java shows a persistent, if decelerating, upward trend, growing 0.90% year-on-year in the second quarter of 2025 before easing to 0.84% in the third quarter. Because subsidized housing targets low- to middle-income households, demand has remained resilient despite this price growth, and KPR continues to account for more than 70% of residential property financing nationally. Among distributor banks, Bank Tabungan Negara (BTN) is the traditional market leader, controlling 96.2% of the national FLPP market and 34.21% of the overall national mortgage market, a dominance also reflected in its leading position in online search volume for mortgage products — evidence that brand image plays a tangible role in shaping consumer preference toward a housing-finance institution.

Promotion shapes consumer perception of subsidized KPR through advertising, interest-rate discounts, and down-payment assistance programmes disseminated via digital and offline media; effective promotion is expected to increase awareness and purchase intention by emphasising instalment affordability and government subsidies, although its effectiveness depends on how well it targets low-income segments in cities such as Semarang and Solo. Prior studies, however, disagree on this relationship: some report a significant positive effect of promotion on KPR purchase decisions (Agustini, 2024), while others find a negative, non-significant effect (Hadrah & Nurhayati, 2025). Service quality — encompassing approval speed, staff responsiveness, and document simplicity — is likewise reported inconsistently, with some studies finding no significant effect (Ibrahim & Ali, 2024) and others confirming those dimensions do contribute positively, particularly where branch

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access in rural areas is limited (Marsila, Sunarka, & Kartika, 2023). Brand image findings are equally mixed, with a positive and significant effect reported in some contexts but a non-significant effect in others (Agustini, 2024).

These inconsistent findings constitute a clear research gap, likely driven by differing socio-economic conditions, financial literacy levels, and regional housing-market characteristics. Central Java — a province with one of the highest realisations of subsidized KPR nationally, yet with markedly uneven distribution across regencies and cities — remains an under-examined and highly relevant context in which to test these relationships. This study therefore aims to analyse, both partially and simultaneously, the influence of promotion, service quality, and brand image on the purchase decisions of Central Java residents regarding subsidized KPR. The findings are expected to contribute to the consumer-behaviour literature on subsidized housing finance and to provide practical guidance for financial institutions and housing developers seeking to design more effective promotional strategies, improve service quality, and strengthen brand image, thereby broadening the reach of the subsidized-housing programme.

B. METHODOLOGY

This research was conducted among residents of Central Java Province, Indonesia, between 2025 and 2026, using a quantitative explanatory (causal) design intended to test the causal relationship between promotion (X1), service quality (X2), and brand image (X3) as independent variables, and purchase decision (Y) for subsidized KPR as the dependent variable (Sugiyono, 2011). Primary data were collected through an online, closed- and open-ended questionnaire distributed to residents of Central Java who had applied for, or already held, a subsidized KPR through various distributor banks (including BTN, BRI, BNI, and regional banks). Each closed item was measured on a four-point Likert scale (1 = strongly disagree to 4 = strongly agree). Secondary data — official market-share reports of FLPP disbursement, Bank Indonesia's Residential Property Price Survey, government policy documents, and prior research — were used to enrich the discussion.

The population comprised residents of Central Java aged 20 to 40 years — the age range banks generally regard as the most productive segment of KPR applicants — who had an interest in, or were in the process of applying for, subsidized KPR. Because the exact population size was unknown, the minimum sample size was calculated using the Lemeshow formula (Lemeshow, Hosmer, & Klar, 1990) with a 95% confidence level ($z = 1.96$), maximum estimated proportion ($p = 0.5$), and a 10% margin of error ($d = 0.10$), yielding a minimum requirement of 96.04, rounded to 100 respondents. Sampling employed non-probability purposive sampling, with respondents required to be domiciled in Central Java, aged 20–40 years, and currently or previously engaged in a subsidized KPR application. Of 163 questionnaires initially received, 101 met all screening criteria (complete responses, no duplicate or patterned answers) and were retained for analysis, exceeding the minimum sample requirement.

Data processing followed the stages of editing, coding, and tabulation using IBM SPSS Statistics 26 and Microsoft Excel. Instrument quality was assessed through Pearson product-moment validity testing (item valid if r-count > r-table = 0.195 at Sig. < 0.05, df = 99) and Cronbach's Alpha reliability testing (reliable if $\alpha > 0.70$) (Ghozali, 2016). Classical assumption tests — normality (histogram and Normal P–P plot, confirmed by the Kolmogorov–Smirnov test with a Monte Carlo approximation), multicollinearity (tolerance ≥ 0.10 and VIF ≤ 10), and

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heteroscedasticity (scatterplot and the Glejser test, Sig. > 0.05) — were conducted prior to regression to ensure the model met the requirements for ordinary least squares estimation.

The hypothesised relationships were tested using multiple linear regression, of the general form Purchase Decision = α + β1Promotion + β2Service Quality + β3Brand Image + ε. The partial effect of each independent variable was examined using the t-test (Sig. < 0.05 indicating a significant partial effect), the simultaneous effect of the three predictors using the F-test (Sig. < 0.05 indicating a significant joint effect), and the explanatory power of the model using the Adjusted R^2 coefficient of determination (Ghozali, 2016).

C. RESULTS AND DISCUSSION

1. *Respondent Profile*

Of the 101 valid respondents, the majority were of productive age: 43.6% aged 21–30 and 42.6% aged 31–40, together accounting for 86.2% of the sample and matching the FLPP programme's target age group. Female respondents made up 59.4% of the sample, indicating an active role for women in subsidized-housing purchase decisions. Respondents were spread across 31 regencies/cities in Central Java, with the largest share from Semarang City (14.9%), Tegal City and Magelang City (8.9% each). More than half held a bachelor's degree (51.5%), and the largest occupational groups were civil servants/military/police (34.7%), followed by self-employed workers (29.7%) and private employees (24.8%). Regarding income, 45.5% earned between IDR 2,500,000 and 5,000,000 per month — within the low-income target range of the subsidized programme — while 33.7% earned IDR 5,000,000–7,500,000 and 20.8% earned above IDR 7,500,000. Bank BRI was the most frequently used distributor (31.7%), followed by BTN (25.7%), BNI (17.8%), and Bank Mandiri (16.8%). In terms of application status, 53.5% of respondents had already been approved and were making instalment payments, 36.6% were still in the application process, and 9.9% had fully repaid their loan, indicating that most respondents had substantial first-hand experience with the promotion, service quality, and brand image of their distributor bank.

2. *Validity and Reliability*

All 16 questionnaire items across the four constructs — promotion, service quality, brand image, and purchase decision — were declared valid, with corrected item-total (Pearson) correlations ranging from 0.639 to 0.868, all exceeding the r-table value of 0.195 at Sig. = 0.000. Reliability testing likewise confirmed internal consistency for every construct, as summarised in Table 1.

Table 1 – Reliability test results

Variable	Cronbach's Alpha	N of Items	Remarks
Promotion (X1)	0.703	4	Reliable
Service Quality (X2)	0.811	4	Reliable
Brand Image (X3)	0.740	4	Reliable
Purchase Decision (Y)	0.791	4	Reliable

Source: Primary data processed with SPSS, 2026

3. *Classical Assumption Tests*

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Normality was supported by both graphical inspection (a bell-shaped residual histogram with mean ≈ 0 and SD = 0.985, and Normal P–P plot points closely following the diagonal) and the Kolmogorov–Smirnov test using a Monte Carlo approximation (10,000 samples), which produced a significance value of 0.967 (> 0.05), confirming normally distributed residuals despite a marginally significant asymptotic result that is known to be oversensitive at this sample size. Multicollinearity was absent, with tolerance values ranging from 0.308 to 0.387 (≥ 0.10) and VIF values from 2.582 to 3.242 (≤ 10) across all three predictors. Heteroscedasticity was likewise absent: the scatterplot of standardised residuals showed no discernible pattern, and the Glejser test produced non-significant coefficients for promotion (Sig. = 0.340), service quality (Sig. = 0.055), and brand image (Sig. = 0.188), confirming homoscedasticity. The regression model therefore satisfied the classical assumptions required for reliable OLS estimation.

4. *Multiple Linear Regression and Hypothesis Testing*

Table 2 presents the multiple linear regression results.

Table 2 – Multiple linear regression coefficients

Model	B	Std. Error	Beta	t	Sig.
(Constant)	1.458	0.813	–	1.794	0.076
Promotion (X1)	0.340	0.088	0.333	3.859	0.000
Service Quality (X2)	0.369	0.090	0.395	4.078	0.000
Brand Image (X3)	0.209	0.101	0.195	2.068	0.041

Dependent variable: Purchase decision. Source: Primary data processed with SPSS, 2026

The resulting regression equation is: Purchase Decision = 1.458 + 0.340 Promotion + 0.369 Service Quality + 0.209 Brand Image. All three regression coefficients are positive, indicating that an increase in any predictor — holding the others constant — raises the purchase decision score. Table 3 reports the simultaneous (F) test and the coefficient of determination.

Table 3 – F-test (ANOVA) and coefficient of determination

Model	F	Sig.	R	R Square	Adjusted R Square
Regression	83.048	0.000	0.848	0.720	0.711

Predictors: (Constant), Brand Image, Promotion, Service Quality. Dependent variable: Purchase decision. Source: Primary data processed with SPSS, 2026

Because F-count (83.048) far exceeds F-table (2.70) at Sig. = 0.000 (< 0.05), Hypothesis 4 — that promotion, service quality, and brand image simultaneously influence purchase decisions — is accepted. The model's Adjusted R^2 of 0.711 indicates that the three predictors jointly explain 71.1% of the variance in subsidized-KPR purchase decisions, with the remaining 28.9% attributable to factors outside the model, such as price, location, and financing accessibility. The strong correlation coefficient (R = 0.848) indicates a very strong joint relationship between the predictors and the outcome.

For the partial effects, t-count for promotion (3.859), service quality (4.078), and brand image (2.068) all exceed t-table (1.985) at Sig. < 0.05, so Hypotheses 1, 2, and 3 are each accepted: all three variables individually and significantly influence purchase decisions. Service quality has the largest

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standardised coefficient (β = 0.395) and the highest t-value, making it the most dominant predictor, followed by promotion (β = 0.333) and brand image (β = 0.195).

5. *Discussion*

The simultaneous significance of promotion, service quality, and brand image is consistent with Kusmanto et al. (n.d.), who found that service quality, promotion, and corporate image jointly influence house purchase decisions, and with Abrar et al. (2024), who reported that service quality, promotion, and location jointly influence customer interest in FLPP financing. Open-ended responses reinforce this pattern: respondents consistently combined ease of obtaining information (promotion), speed and convenience of the application process (service quality), and trust in bank reputation (brand image), alongside fixed interest rates and affordable instalments, as the decisive factors in taking up subsidized KPR — confirming that the three variables operate in a complementary rather than isolated manner.

The significant, positive effect of promotion supports Agustini (2024), Abrar et al. (2024), and Hafizah and Hutagalung (2023), all of whom found that informative promotion — down-payment discounts, financing partnerships, and clear programme information — accelerates purchase decisions. It contrasts, however, with Hadrah and Nurhayati (2025), who found a non-significant effect; this discrepancy plausibly reflects differences in target audience, since promotion in the present study directly addressed the FLPP down-payment assistance most relevant to Central Java's low-income applicants, whereas the earlier study's promotional content was more generic. Qualitative responses further indicate that promotion has not reached all segments evenly: respondents in rural or peripheral areas reported relying primarily on social media, and several suggested that distributor banks extend direct outreach to the sub-district (kelurahan/desa) level.

Service quality's status as the most dominant predictor aligns with Abrar et al. (2024) and Marsila, Sunarka, and Kartika (2023), who linked responsive, reliable banking service to greater customer confidence in choosing KPR products, and with Nuzula and Haryanti (2024), who found service quality to partially influence KPR purchase decisions. This contrasts with Ibrahim and Ali (2024), who found no significant effect, a difference that may arise because their respondents regarded baseline service quality as a uniform standard across banks rather than a differentiating factor. In the present study, open-ended responses indicate that even when applicants encountered document-related obstacles, staff responsiveness in explaining requirements and guiding the process sustained applicant confidence — consistent with service quality's dominant statistical role.

Brand image's significant, positive effect — despite having the smallest coefficient — is consistent with Marsila, Sunarka, and Kartika (2023) and Manju, Jayanthi, and Ramya (2014), both of which identified bank reputation as a meaningful driver of housing-finance choice. It diverges from Agustini (2024), where brand image had no significant effect, plausibly because the developer or bank studied there had not yet established strong brand awareness among the public. Open-ended responses in this study repeatedly cited reputation, trustworthiness, and being a well-known state-owned bank, together with word-of-mouth recommendations from family or peers, as reasons for selecting a particular distributor bank — underscoring brand image's role in reducing perceived risk before committing to a long-term credit obligation such as subsidized KPR.

D. CONCLUSION

This study set out to analyse the partial and simultaneous influence of promotion, service quality, and brand image on the purchase decision for subsidized home ownership loans among residents of Central Java. All four hypotheses were supported. Promotion (t = 3.859; Sig. = 0.000), service quality

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(t = 4.078; Sig. = 0.000), and brand image (t = 2.068; Sig. = 0.041) each significantly and positively influence purchase decisions, with service quality emerging as the most dominant predictor. Simultaneously, the three variables significantly influence purchase decisions (F = 83.048; Sig. = 0.000), jointly explaining 71.1% of the variance (Adjusted $R^2 = 0.711$), while the remaining 28.9% is attributable to factors outside the model, such as price, location, and ease of financing access.

These findings extend the consumer-behaviour and marketing-mix literature (Keller & Kotler, 2016) to the specific context of subsidized housing finance, a product category less frequently examined than general consumer goods, and they clarify part of the research gap left by inconsistent prior studies by demonstrating that, in the Central Java context, service quality — rather than promotion or brand image — is the most influential factor. For distributor banks and housing-finance institutions, the results suggest prioritising faster approval processes, clearer information, and stronger document-security assurances, alongside more targeted digital and grassroots promotion of down-payment assistance schemes, and continued reinforcement of brand image through transparent legal processes and responsive complaint handling.

This study is limited by its relatively modest sample of 101 respondents selected through non-probability purposive sampling and by its cross-sectional design, both of which constrain generalisation; furthermore, only three predictors were examined, leaving 28.9% of the variance in purchase decisions unexplained. Future research should therefore consider incorporating additional variables such as price, location, interest rates, or trust; employing probability sampling with a larger and more geographically representative sample; extending the study beyond Central Java for cross-regional comparison; and adopting a longitudinal design to capture changes in consumer perception over time.

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