

# **The Effect of Educational Cost and Service on Student Trust by Mediation of Higher Education Image Survey to the Economic Higher Education in DKI Jakarta Province**

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**Abstract:** *The objective of this research was to study the effect of educational cost and service quality on student trust at Economic Higher Education Institution in Jakarta Province mediated by higher education image. This research used quantitative approach with survey method. The sample of this research was 194 students selected randomly. The data was analyzed by using descriptive statistics and path analysis in inferential statistics. The results of the research could be concluded that: educational cost, service quality, and higher education image had direct effect on student trust; educational cost and service quality had direct effect and higher education image on student trust. Therefore, in order to improve student trust, then, educational cost, service quality, and higher education image should be improved.*

**Keywords:** *image, service quality, cost, and trust.*

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## **I. Introduction**

Globalization era spreads more massive competition among individuals, groups, organizations, even among nations. The competition not only reaches business area, but also in education sector such as private higher education (PTS-Perguruan Tinggi Swasta). This condition occurred due to heavily rapid growth of private higher education. Data from Central Administration of Indonesian Private Higher Education Association (Aptisi) shows that number of private higher education in Indonesia, today, is about 2,678 institutions in which 50% is institute, 30% academy, and 20% university. Whereas, number of private higher education in Indonesia in 1997 was only about 1,293. It means that in two decades, private higher education growth reaches up to more than 100%. Tragically, the growth of private higher education number is not accompanied by the increase of student number. The number of private higher education is 2,678, while, the number of student is only 1,706,800 students. It means that average number of student in private higher education is only about 600 students.

The condition above shows that tight competition faced by private higher education demands the administrators of private higher education to be able in creating competitiveness superiority. One aspect that needs to be considered in responding those phenomena is creating accurate strategy as with actual change situation, for instance., by creating trust with full effort around the students. The effort can be conducted through cost review, service quality, and image. The research result by Yieh, et al., (2007: 267) showed that cost has significant relationship with trust. In addition, the research by Chen and Chen (2011: 1) showed that service quality affected significantly to the trust. While, the research by Ball, Coelho and Vilares (2006: 391) showed that image affected to the trust. Image, despite affected to the trust, is also affected by cost and service quality. It is such mentioned in the research by Verma and Gupta (2004) as well as Saktishree (2010) that showed service quality affected significantly to the image. With that condition, then the research hypothesis could be formulated as follows: (1) there is direct effect between higher educational cost on student trust; (2) there is direct effect between service quality on student trust; (3) there is direct effect between higher education image on student trust; (4) there is direct effect between cost on higher education image; and (5) there is direct effect between higher education service quality on higher education image.

Trust, according to Colquitt, LePine and Wesson (2009: 219) is willingness to be depended on an authority based on positive expectancy towards authority action and concern. According Robbin and Judge (2009: 392), trust can be created through integrity, competence, consistency, policy, and transparency. Lovelock and Wirtz (2007: 630) defined cost/price as utilization of money, time, and efforts that spent by consumers in purchasing and using service. Cost/price can be seen from indicators such as transparency, quality ratio, relative price, confidence, reliability, and honesty (Matzler, Würtele & Renzl, 2006: 222). Moreover, image, according to Newsom, Turk and Kruckeberg (2010: 280) is impression over people, company, or institution owned by one

or large society. Image can be presented in dynamism, cooperation, success (Picton & Broderick, 2001: 28), responsibility, and attraction (Schwaiger, 2004: 46). While, according to Wyckof (in Tjiptono, 2006: 45), service quality is the expected superiority level and controls over that superiority level in order to fulfill customer/consumer expectancy. Service quality, according to Zeithaml, Parasuraman and Berry (1990: 26) can be revealed in physical evidence, reliability, responsiveness, guarantee, and empathy.

## II. Method

Method used in this research was survey method. Sample in this research was 194 students taken proportionally using simple random technique from population of 3,397 students. Data collection technique in this research used questionnaire in Likert scale. Before the questionnaire distributed, then, for the first it was conducted by validity test using Product Moment Pearson formulation and reliability test using Alpha Cronbach formulation. While, data analysis technique in this research used path analysis.

## III. Result

The research result proved that: First, path coefficient of direct effect towards educational cost on student trust was 0.19. The path coefficient was positive means that educational cost could improve student trust. While,  $t_{statistics} = 2.60 > t_{table}$  for  $dk = 194$  on  $\alpha = 0.05$  (1.652), thus  $H_0$  unconfirmed and  $H_1$  confirmed which means that educational cost directly and positively affected on student trust.

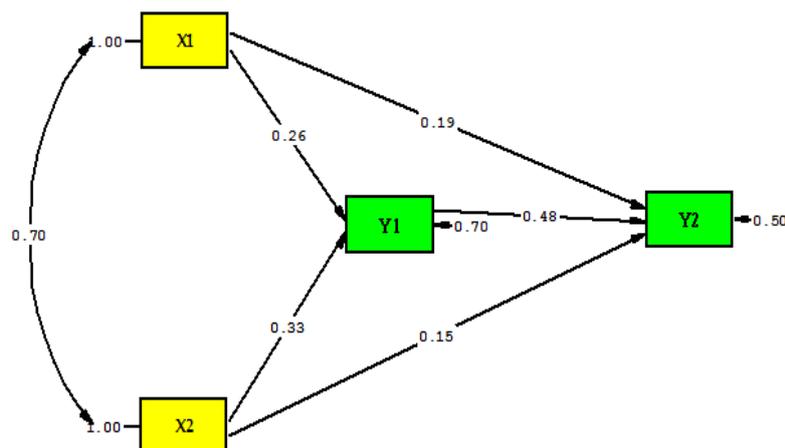
Second, path coefficient of direct effect towards service quality on student trust was 0.15. The path coefficient was positive means that service quality improvement could improve student trust. While,  $t_{statistics} = 2.05 > t_{table}$  for  $dk = 194$  on  $\alpha = 0.05$  (1.652), thus  $H_0$  unconfirmed and  $H_1$  confirmed which means that service quality directly and positively affected on student trust.

Third, path coefficient of direct effect towards image on student trust was 0.48. The path coefficient was positive means that improvement of higher education image could improve student trust. While,  $t_{statistics} = 7.92 > t_{table}$  for  $dk = 194$  on  $\alpha = 0.05$  (1.652), thus  $H_0$  unconfirmed and  $H_1$  confirmed which means that higher education image directly and positively affected on student trust.

Fourth, path coefficient of direct effect towards educational cost on higher education image was 0.26. The path coefficient was positive means that educational cost review could improve higher education image. While,  $t_{statistics} > t_{table}$  for  $dk = 194$  on  $\alpha = 0.05$  (1.652), thus  $H_0$  unconfirmed and  $H_1$  confirmed which means that educational cost directly and positively affected on higher education image.

Fifth, path coefficient of direct effect towards service quality on higher education image was 0.33. The path coefficient was positive means that service quality improvement could improve affected on improvement of higher education image. While,  $t_{statistics} = 3.94 > t_{table}$  for  $dk = 194$  on  $\alpha = 0.05$  (1.652), thus  $H_0$  unconfirmed and  $H_1$  confirmed which means that service quality directly and positively affected on higher education image.

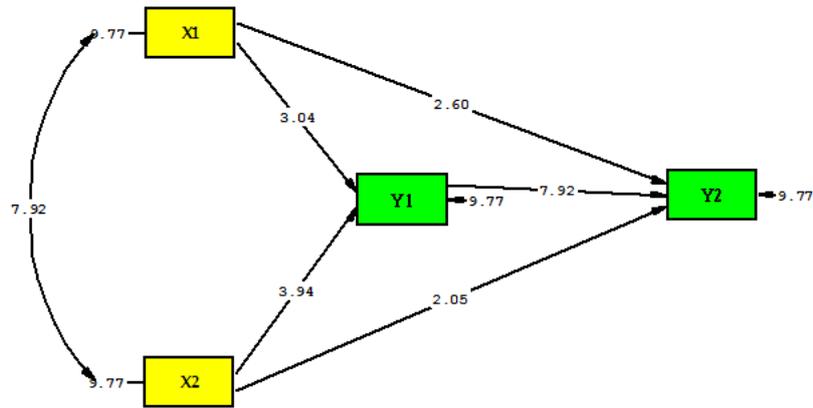
The path coefficient and  $t_{statistics}$  can be visualized in diagram as below:



Chi-Square=0.00, df=0, P-value=1.00000, RMSEA=0.000

Figure 1.

Path Coefficient towards the Effect of Educational Cost, Service Quality, and Higher Education Image on Student Trust



Chi-Square=0.00, df=0, P-value=1.00000, RMSEA=0.000

Figure2.

$t_{statistics}$  towards the Effect of Educational Cost, Service Quality, and Higher Education Image on Student Trust

As a whole, path coefficient and  $t_{statistics}$  which present the effect of educational cost, service quality, and higher education image on student trust summarized in table below:

Table 1 Summary of Path Coefficient and  $t_{statistics}$

Effect	Path Coefficient	$t_{statistics}$	$t$ -table	
			$\alpha = 0.05$	$\alpha = 0.01$
$X_1 \rightarrow Y_2$	0.19**	2.60	1.652	2.345
$X_2 \rightarrow Y_2$	0.15*	2.05	1.652	2.345
$Y_1 \rightarrow Y_2$	0.48**	7.92	1.652	2.345
$X_1 \rightarrow Y_1$	0.26**	3.04	1.652	2.345
$X_2 \rightarrow Y_1$	0.33**	3.94	1.652	2.345

Note: \* Significant path coefficient ( $p < 0.05$ )

\*\* Very significant path coefficient ( $p < 0.01$ )

The test result towards model accuracy obtained probability value of Chi Square and RMSEA in order to conduct model accuracy test. Significance value or p value for Chi Square was  $1.000 > 0.05$  and RMSEA ( $0.000 < 0.08$ ). This result shows that tested theoretical model has been represented or appropriate to the equation structure based on empirical data. Therefore, the result obtained in this research was appropriate to the available theories.

Moreover, it is also obtained structural equation of higher education image ( $Y_1$ ) as follows:

$$Y_1 = 0.26^{**}X_1 + 0.33^{**}X_2$$

$$R^2 = 0.50$$

Based on the equation above, it can be seen that cost variable obtained structural coefficient = 0.26 and service quality = 0.33. Both structural coefficient values are positive, thus, it means that the effect of educational cost and service quality on higher education image is positive. Educational cost and service quality variable explained higher education image variable for 0.50 or 50%.

For structural equation of student trust ( $Y_2$ ) obtained the result as below:

$$Y_2 = 0,19^{**}X_1 + 0,15^{*}X_2 + 0,48^{**}Y_1$$

$$R^2 = 0,34$$

Based on the equation above, it can be seen that student trust variable affected by educational cost variable with structural coefficient = 0.19, service quality with structural coefficient = 0.15, and higher education image with structural coefficient = 0.48. All structural coefficient values are positive, thus, it means

that those three variables have positive effect on student trust. Educational cost, service quality, and higher education image variable explained student trust variable for 0.34 or 34%.

#### **IV. Discussion**

This research result showed that educational cost affected significantly on student trust. This finding indicated that educational cost has significant effect on the improvement of student trust. This condition can be occurred due to educational cost is one of important components for students in selecting higher education institution. In general, students select or choose a higher education due to, for instance, cost consideration. Educational cost that appropriate to the student socio-economic condition can stimulate trust to the alma mater. The research result by Yieh, et al., (2007: 267) also showed that price (cost) affected on consumer trust. Therefore, this research result supported and confirmed the previous study about the effect of cost on trust, especially with the research object in higher education.

This research result also proved that service quality affected on student trust. It means that good service quality able to improve student trust. That result is make a sense due to service is important aspect for the success of an organization, particularly for organizations run in service sector including education institution. Qualified service – which can be noticed by full of empathy service, reliable, responsive, and has guarantee as well as supported by appropriate facilities – able to create student trust. In the context of education institution, each student has expectancy to the fulfillment of those aspects such as fast service, has guarantee, considering student needs, and comfort and conducive learning situation. Therefore, if those expectancies can be fulfilled appropriately, then, it can create happiness in the student itself which then encourages to create student trust on higher education. The research result by Chen and Chen (2011: 1) also showed that service quality affected significantly on consumer trust. Therefore, this research result was in line and relevant to the previous research about the effect of service quality on trust with education organization setting, especially in higher education.

This research result also proved that higher education image affected positively and significantly on student trust. This finding indicated that positive/good higher education image able to encourage student trust on higher education. This condition can be occurred due to image is individual or group point of view in viewing the organization (Lopez, Gotsi & Andriopoulos, 2011: 1603), thus if a higher education has positive image, then it can be viewed as something positive, which in turn, it will be able to encourage student trust on higher education. The research conducted by Ball, Coelho and Vilares (2006: 391) also proved that brand image has significant relationship to the trust. Therefore, this research result was in line and confirmed the previous study about the effect of image on trust with higher education setting.

In addition, this research result also proved positive and significant effect from educational cost on higher education image. This finding indicated that educational cost affected on the improvement of higher education image. This condition can be occurred due to educational cost is one of important components for students in selecting higher education institution. In general, students select or choose a higher education due to, for instance, cost consideration. Educational cost that appropriate to the student socio-economic condition can encourage the students to create positive image on higher education. The research result by Verma and Gupta (2004) also showed that dynamic pricing affected on image. Therefore, this research result supported and confirmed the previous research about the effect of cost on image, especially with higher education setting.

This research result also proved that service quality affected positively and significantly on higher education image. It means that great or qualified service quality around higher education environment affected on the improvement of higher education image. That result is make a sense due to service quality is important assessment object in higher education. Therefore, qualified service quality mainly demanded by students. Qualified service quality will be able to fulfill student expectancy, thus it can create positive image around students. The previous study also proved the important role of service quality in affecting image such mentioned in the research by Malik et al. (2011) that service quality affected significantly on image. Thus, this research result was in line and confirmed the previous research about the effect of service quality on image with higher education setting.

#### **V. Conclusion**

From the research result and discussion above, it can be concluded as follows: (1) educational cost directly and positively affected on student trust. It means that appropriate educational cost affected on the improvement of student trust; (2) service quality directly and positively affected on student trust. It means that qualified service quality affected on the improvement of student trust; (3) higher education image directly and positively affected on student trust. It means that good and positive higher education image affected on the improvement of student trust; (4) educational cost directly and positively affected on higher education image. It means that appropriate educational cost affected on the improvement of higher education image; and (5) service quality directly and positively affected on higher education image. It means that qualified service quality affected on the improvement of higher education image.

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