

## **Factors that Influence to Costumers Sharia Bank Loyalty: An Empirical Study of Students at Universitas Darussalam Gontor Ponorogo**

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<b>Article Info</b>	<b>Abstract</b>
<p><b>Article history:</b> Received October 20, 2023 Revised November 10, 2021 Accepted November 29, 2023 Available online November 30, 2023</p> <hr/> <p>*Corresponding author email : <a href="mailto:azidnirofiqo@unida.gontor.ac.id">azidnirofiqo@unida.gontor.ac.id</a></p>	<p><b>Introduction:</b> The purpose of this research is to predict customer satisfaction, customer perceived value, and customer Islamic religiosity on Sharia bank customer loyalty. <b>Research Methods:</b> The research used a quantitative approach with 140 respondents who were Sharia bank customers, specifically students at Universitas Darussalam Gontor, Ponorogo. A Likert scale of 1-5 was employed for measurement, and partial least squares–structural equation modeling was used to analyze the data. <b>Results:</b> The results of this research demonstrate that customer satisfaction, perceived value, and Islamic religiosity have a significantly positive impact on Sharia bank customer loyalty. <b>Conclusion:</b> To build and maintain customer loyalty, Islamic banks must leverage customer satisfaction, value, and religiosity by offering a variety of Sharia-based products and services that truly differentiate them from conventional banks.</p>
<p><b>Keywords:</b> Satisfaction, Perceived Value, Islamic Religiosity, Loyalty, Students of Universitas Darussalam Gontor</p>	<hr/> <p>Etihad with CC BY license. Copyright © 2023, the author(s)</p>
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### **INTRODUCTION**

Sharia banking provides a diverse range of financial services and products appealing to customers, encompassing both Muslims and non-Muslims. This extensive product coverage has propelled sharia banking to global popularity among both Muslim and non-

Muslim communities (Ali & Hussain, 2021; Tegambwage & Kasoga, 2023). Consequently, the products and services offered by Islamic banks compete with those of conventional banks, with their success significantly dependent on customer loyalty (Muflih, 2021; Tegambwage & Kasoga, 2023). However, Muflih, (2021) highlights that sharia banks have yet to increase their market share compared to conventional banks. Additionally, Wijaya et al., (2021) indicate that customer loyalty towards Islamic banks tends to be lower. In Indonesia, a country with the largest Muslim population and a leading sharia banking industry sector globally, the market share of sharia banking remains lower than that of conventional banking (Muflih, 2021; Wijaya et al., 2021). Other studies, including the research by Suhartanto et al., (2019), also reveal low customer loyalty towards sharia banks in Indonesia.

According to Iqbal et al., (2018) that the fundamental characteristic distinguishing Islamic banks from conventional banks is their religious affiliations. The author draws a distinction between religion and religiosity, clarifying that religion pertains to an individual's denominational membership or religious identity (e.g., Christian or Muslim), while religiosity reflects their level of commitment to a specific religious group. Thus, religiosity does not gauge a consumer's affiliation with a religion but rather their adherence to the principles and practices of that religion, which has the potential to influence their behavior (Iqbal et al., 2018).

The overall guiding principles of Islamic finance are likely to influence the decision-making processes of religious Muslims with respect to IB products and services, and the ethical nature of those principles are likely to attract religious non-Muslims who increasingly support Islamic banks (Ali & Hussain, 2021; Tegambwage & Kasoga, 2023), in the Qur'an (Surah Baqara verse 274). This may be the reason why sharia banking attracts the attention of both Muslims. Sharia banking has now become a world phenomenon with a track record of success in both Islamic and non-Islamic countries (Ali & Hussain, 2021). Likewise, sharia banking is receiving more attention from both Muslims and non-Muslims.

Customer satisfaction and perceived value are crucial factors for Islamic banks in securing customer loyalty (Tegambwage & Kasoga, 2023). However, factors may not be sufficient to maintain loyalty, given the low switching barriers among sharia banking customers. As previously noted, the primary differentiation between sharia banking and conventional banking is religious attachment (Iqbal et al., 2018). This study posits that sharia banks can leverage religiosity to create and maintain customer loyalty (Aslam et al., 2022; Suhartanto et al., 2018; Tegambwage & Kasoga, 2023; Wahyuni & Fitriani, 2017). Despite this, the comprehensive study of the impact of customer religiosity on loyalty remains limited. Consequently, the utilization of religiosity by sharia banking to create and maintain loyalty poses challenges.

Several studies investigating the impact of religiosity on loyalty have yielded diverse results. For instance, research conducted by Suhartanto et al., (2019); Suhartanto et al., (2022); Wahyuni & Fitriani, (2017) discovered the influence of Islamic religiosity on Sharia banking customer loyalty in Indonesia. Aslam et al., (2022) found that religiosity moderates

the relationship between image and customer loyalty. Despite these various findings, there has been no comprehensive research addressing satisfaction, perceived value, and religiosity concerning Sharia banking customer loyalty specifically among university students. Therefore, this study aims to predict the factors influencing Sharia bank customer loyalty among students at Universitas Darussalam Gontor.

## RESEARCH METHOD

This research centers on cultivating loyalty to Islamic banks through the dimensions of customer satisfaction, perceived value, and Islamic religiosity. To maintain consistency with previous studies utilizing these variables, measurements for these aspects have been adopted from existing literature, as presented in Table 1.

Table 1. Variable and Reference

No	Variable	Reference
1	Loyalty	(Fusva et al., 2020; Muflih, 2021)
2	Satisfaction	(Hamouda, 2019; Muflih, 2021)
3	Perceived Value	(Fusva et al., 2020)
4	Islamic Religiosity	(Tegambwage & Kasoga, 2023)

All items related to indicators of satisfaction, perceived value, Islamic religiosity, and customer loyalty are measured on a 1-5 Likert scale, where 5 indicates 'strongly agree,' and 1 indicates 'strongly disagree.' To gather data from Sharia bank customers, specifically students at Darussalam Gontor University in Ponorogo, a self-administered questionnaire was employed. Due to the absence of a sampling frame for the target population, the use of random or probabilistic sampling methods was not feasible. Therefore, purposive sampling was employed to select respondents.

The survey was conducted among 200 Islamic bank customers, i.e., students at Darussalam Gontor University, during the period from January to April 2023. A total of 140 completed questionnaires were collected, resulting in a response rate of 70%. This sample size adheres to the minimum requirements for using the 10X indicator (rules of thumb) in multivariate analysis, as recommended by Joseph F. Hair et al., (2022).

Scale reliability, as well as convergent and discriminant validity of the construct variables, were assessed using Cronbach's alpha, composite reliability (CR), average variance extracted (AVE), and the heterotrait-monotrait ratio. Partial least squares structural equation modeling (PLS-SEM) was employed for measuring the model and latent variables. PLS-SEM's efficacy for small and medium samples with non-normal data distribution was considered (Chin et al., 2008). The model structure was tested with PLS-SEM, including the calculation of path coefficients, as recommended by Joseph F. Hair et al., (2022)

Following the suggestions of [Schumacker & Lomax, \(2015\)](#), full collinearity variance inflation factors (VIFs) were utilized to examine common method variance before testing the model, yielding a value of 1.894. Since this value is below the cutoff value of 5 [Joseph F. Hair et al., \(2022\)](#), it was concluded that common method variance did not pose an issue in this study."

## RESULT AND DISCUSSION

Presents the profile of the respondents' characteristics.

Table 2. Respondent's Profile

Variabel	Description	Frequency	%
Gender	Male	95	68%
	Female	45	32%
Age	17-20	78	56%
	21-25	57	41%
	>25	5	4%
Income	<1 Million	75	54%
	1-3 Million	65	46%

### Measurement Model

To assess the proposed model, a two-stage testing approach is employed. The first stage involves evaluating the reliability and validity of the construct through testing the measurement model. As presented in Table 3, all factor loading items exceed 0.6. Additionally, the Composite Reliability (CR) value surpasses the cutoff value of 0.7, and the Average Variance Extracted (AVE) is higher than the cutoff value of 0.5. These findings indicate satisfactory reliability and convergent validity according to [Hair et al., \(2017\)](#).

Moreover, the results of the heterotrait-monotrait ratio demonstrate that the measurement model exhibits acceptable discriminant validity. This is supported by the diagonal element value being less than the recommended maximum value of 0.9, as suggested by [Henseler et al., \(2015\)](#).

### Structural Model

The second stage of testing involves assessing the structural model. A bootstrap procedure with 5,000 iterations was utilized to evaluate the significance of indicators and path coefficients, following the approach outlined by [Chin, \(2010\)](#). The model of goodness-of-fit value was 0.761, indicating a close fit. The R<sup>2</sup> value reveals that 76.1% of loyalty can be explained by satisfaction, perceived value, and Islamic religiosity. This suggests a significant relationship between satisfaction, perceived value, Islamic religiosity, and sharia bank customer loyalty. The variance inflation factor (VIF) for full collinearity, with VIF values ranging between 1.279 and 4.734, is below the maximum threshold of 5 ([Hair et al., 2017](#)). With all parameters falling within acceptable ranges, it can be concluded that the tested model is robust.

**Table 3. Construct, Loading, VIF, Cronbachs Alpha, CR, ABE**

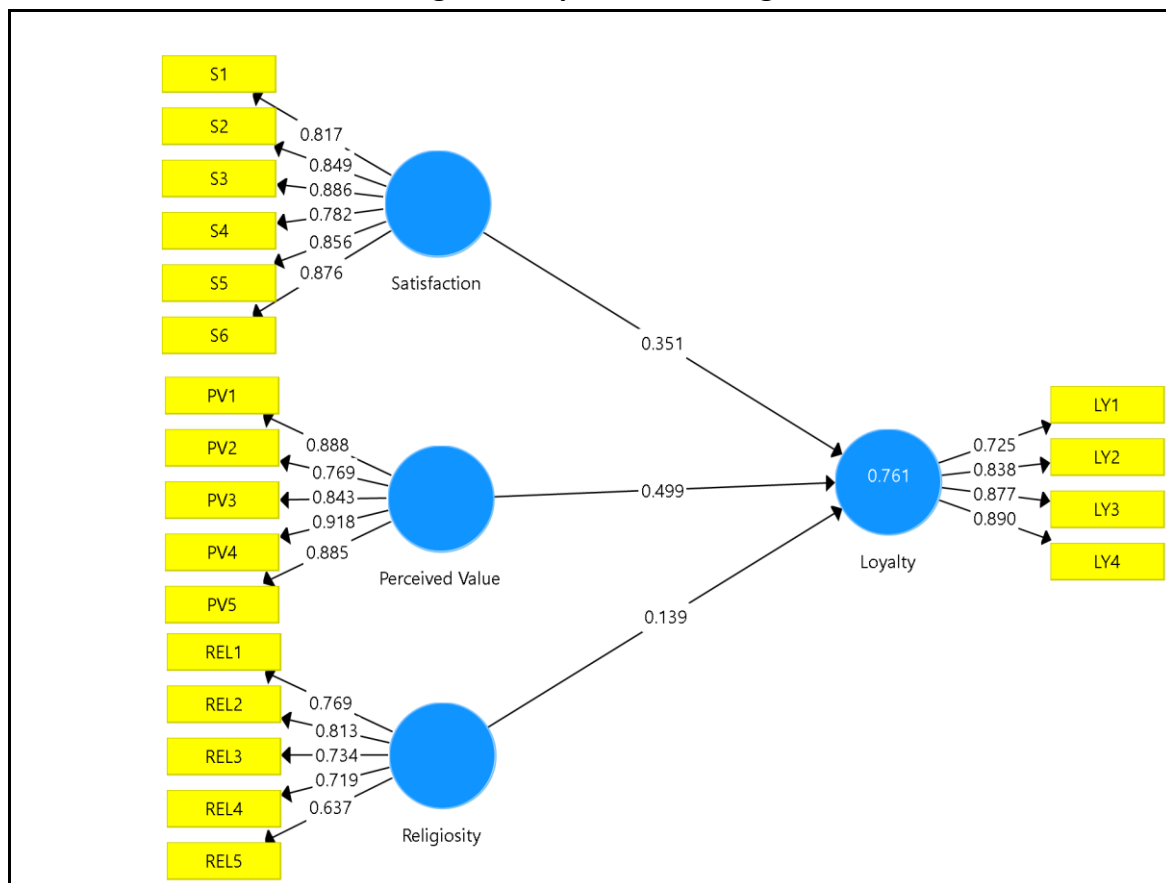
Construct	Item	Loading Factor	VIF	Alpha	C.R	AVE
Loyalty	I always use this sharea banking service	0,725	1,595	0,854	0,869	0,697
	I will take advantage of these sharea banking products in the future	0,838	2,095			
	I have always made sharea banking my first choice of Islamic financial services	0,877	2,855			
	I recommend the sharea bank to anyone who asks	0,890	3,053			
	This sharea banking service always fulfills my needs	0,817	2,426			
	I like the financial services that this sharea bank provides	0,849	3,399			
Satisfaction	This sharea bank services fulfill my expectation	0,886	4,176	0,920	0,925	0,714
	My decision to choose this sharea bank was very correct	0,782	2,627			
	Overall, I like this sharea banking service	0,856	2,950			
	Services of thissharea bank are exactly the same that I need	0,876	4,211			
	The revenue share I received is appropriate	0,888	3,651			
	The transaction costs offered are low	0,769	2,476			
Perceived Value	The time and cost required to get to the bank is low	0,843	2,488	0,914	0,928	0,744
	Bank services complied with Islamic values	0,918	4,606			
	Islamic banks can keep promises	0,885	4,734			
	I believe that Allah (God) helps me	0,769	2,690			
	Islam helps me to have a better life	0,813	2,351			
	The Dua' (supplication) supports me	0,734	1,408			
Islamic Religiosity	The Prophet Muhammad (peace be upon him) is the role model for me	0,719	1,279	0,799	0,806	0,543
	Performing Hajj is one of my main priorities	0,637	1,751			

Table 4. Hypothesis Testing

Construct	Original Sample	Standard Deviation	T-Statistics	P - Values	Decicion
Satisfaction -> Loyalty	0,351	0,071	4,977	0,000	Supported
Perceived Value -> Loyalty	0,499	0,067	7,405	0,000	Supported
Islamic Religiosity -> Loyalty	0,139	0,054	2,557	0,011	Supported

Table 4 illustrates that, as hypothesized, service quality has a significant influence on loyalty ( $\beta = 0.351$ ; T-Value 4.977;  $p < 0.01$ ). Additionally, perceived value shows a significant positive effect ( $\beta = 0.499$ ; T-Value 7.405;  $p < 0.01$ ), and Islamic Religiosity demonstrates a significant positive effect on sharia bank customer loyalty ( $\beta = 0.139$ ; T-Value 2.557;  $p < 0.01$ ). Thus, hypotheses H1, H2, and H3 are supported. A summary of the relationships between variables is depicted in Figure 1.

Figure 1. Hipothesis Testing



Although the literature has clearly identified the relationship between satisfaction and the loyalty of sharia banking customers, this is the first research within the scope of Islamic college student customers. This research reports three important findings.

Firstly, the results confirm that the formation of loyalty to Islamic banks is determined by customer satisfaction, perceived value, and Islamic religiosity. Among the determinants of loyalty, this research reports the direct impact of customer satisfaction on customer loyalty. This finding is consistent with previous research in sharia banking, such as research by [Fusva et al., \(2020\)](#) and [Tegambwage & Kasoga, \(2023\)](#), [Suhartanto et al., \(2019\)](#) suggesting that when sharia bank customers feel satisfaction, they tend to continue as customers, recommend sharia banks to others, and increase their transactions with sharia banks. A natural consequence of these findings is that poor-quality customer satisfaction will reduce the loyalty of sharia bank customers and can ultimately make them disloyal. These results confirm [Fusva et al., \(2020\)](#) assumption that satisfaction is a core factor in creating loyal customers in Islamic banks.

Secondly, this research shows that the influence of the total perceived value on customer loyalty is the highest compared to other loyalty determinants. Therefore, perceived value is another key component in developing loyalty towards Islamic banks. The role of perceived value in developing loyalty strengthens previous research by [Fusva et al., \(2020\)](#); [Hamouda, \(2019\)](#); [Suhartanto et al., \(2018\)](#), [\(2019\)](#); [Wahyuni & Fitriani, \(2017\)](#). For sharia banks, this research measures perceived value, such as profit sharing, transaction costs, time, and costs required to obtain services, and compliance with Islamic values. Therefore, in developing customer loyalty, this research suggests that it is not only important to offer economic and service value but also spiritual value as adherence to Islamic principles. These results confirm, in Islamic banking, what previous research has reported in other products, namely that Muslim customers tend not only to be rational, by choosing sellers who offer the highest quality of service and benefits but also to value companies that are in line with their Islamic values. These results strengthen the opinion of the ulama ([Fusva et al., 2020](#)), which confirms that using banking services that comply with sharia law not only fulfills customers' banking needs but is also a form of fulfilling their religious obligations. In terms of loyalty formation, this research highlights that a customer of an Islamic bank will recommend, intend to increase transaction volume, and will continue to be a customer if the bank offers competitive and attractive benefits while achieving compliance with Islamic values.

Thirdly, this research reveals that customer Islamic religiosity has a significant effect on sharia bank customer loyalty. This research validates research by [Aslam et al., \(2022\)](#), [Tegambwage & Kasoga, \(2023\)](#), [Wahyuni & Fitriani, \(2017\)](#), which found that Islamic religiosity has a significant positive effect on sharia bank customer loyalty. The results of the current research show that satisfaction alone cannot guarantee high sharia bank customer loyalty but is supported by the perceived value of sharia banks and Islamic religiosity, all of which have an impact on high sharia bank customer loyalty.

## CONCLUSION

The results of this research indicate that customer satisfaction, perceived value, and Islamic religiosity have a significant positive effect on sharia bank customer loyalty.

However, it's important to note that this research is limited to a sample, specifically students of Universitas Darussalam Gontor, with a relatively small number of 140 respondents. To enhance the robustness of these findings, next research should consider expanding the number of respondents and diversifying the sample to include a more comprehensive representation of customers beyond students.

This research valuable insight for sharia banking institutions to prioritize customer satisfaction as a crucial element in achieving and sustaining customer loyalty. Furthermore, the study emphasizes that perceived value serves as a foundational aspect for creating customer loyalty, emphasizing the necessity for banks to comply sharia law. Additionally, the research highlights that customers' Islamic religiosity plays a key role in determining the level of loyalty among sharia bank customers, illustrating the significance of customers' adherence to Islamic ideology in shaping their loyalty.

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