sciendo

DOI 10.2478/sbe-2022-0040
SBE no. 17(2) 2022

ISLAMIC BANKING AND LOYALTY: SERVICE QUALITY, INTIMACY OR RELIGIOUS DRIVEN?

YUSFIARTO Rizaldi
Sharia Finance Management Department, UIN Sunan Kalijaga Yogyakarta, Indonesia

NUGRAHA Septy Setia
Graduated from Master Management Department, Diponegoro University, Indonesia

PAMBUDI Dwi Santosa
Sharia Banking Department, Ahmad Dahlan University, Indonesia

PAMBEKTI Galuh Tri
Sharia Accounting Department, UIN Sunan Kalijaga Yogyakarta, Indonesia

Abstract:

Islamic banking is an essential element in the development and establishment of Indonesia's economy, for that it is crucial for management to have a good marketing strategy to be sustainable. Thus, this research aims to explore the route of consumer loyalty by emphasizing religiosity, intimacy, and service quality as the factors of consumer satisfaction of Indonesian Islamic banking. This study applies a structural equation model (SEM) to analyze data collected from 308 Islamic bank consumers in Indonesian Islamic communities and Islamic institutions. The empirical results show that the service quality dimensions (PAKSERV scale); tangibility, reliability, assurance, sincerity, personalization, and formality play an essential role in increasing consumer satisfaction and consumer loyalty. There is no direct relationship between consumer religiosity and consumer loyalty, whereas consumer intimacy and service quality have a direct positive impact on consumer satisfaction and consumer loyalty. Furthermore, consumer satisfaction act as fully mediating role between service quality and consumer loyalty. Practically, the findings of this study can be used by Islamic banking management to focus on modifying service quality by emphasizing the dimensions of sincerity, personalization, and formality. And stay focused on the customer relationship with the company

Keywords: *customer loyalty, customer satisfaction, service quality (PAKSERV), customer intimacy, and customer religiosity*

1. Introduction

The majority of Indonesian people are Muslim. Statistically speaking, it accounts for 87.4 percent of the Indonesian population. According to the Directorate General of

Population and Civil Registration, in 2020, Muslims in Indonesia is predicted to reach 229.62 million people (Mukhibad et al., 2019). However, the development of Indonesian Islamic banks is not directly proportional to the large demography of Muslims in that country. The Indonesian Financial Service Authorities (OJK) stated that, despite experiencing a relatively rapid growth between 2013 and 2014, Islamic banking subsequently underwent a slow-down. In early 2019, the share market of notional Islamic banking was only capable of hitting 5,94 percent of Indonesian finance assets. This fluctuation should be addressed seriously by the Indonesian Islamic banking industry because Islamic banking holds a significant role in the development of the Islamic modern financial system (Muhamad Abduh et al., 2018; Mukhibad et al., 2019)

A deceleration in company performance is mainly caused by low consumer loyalty (Agustin & Singh, 2005; Watson et al., 2015). Customer satisfaction is an essential element that makes up loyalty. Satisfaction processes and exerts information to form a comparative attitude between expectation and reality (Geyskens & Steenkamp, 2000; Henderson et al., 2011). Satisfaction also creates customers with a positive attitude and defensive behavior to other products, even though the value obtained by the consumers from other products is objectively better (Henderson et al., 2011; Watson et al., 2015). Empirically, some research has found that the higher consumer satisfaction is, the longer the consumers would be loyal to a particular product (Kaura et al., 2015; Omoregie et al., 2019; Yilmaz et al., 2018). In Islamic banking, the simultaneous and robust correlation between those variables is also found (Thaker et al., 2020; Wu et al., 2019).

Furthermore, new studies also found that consumer loyalty towards Islamic banking is affected by religiosity and intimacy, as essential factors in consumer satisfaction (Bananuka et al., 2019; Ltifi et al., 2016; Mulia et al., 2020). A person that has understood and practiced religion as a part of her life will always be making religion a foundation in taking any decision and actions (Abou-Youssef et al., 2015). Meanwhile, customer intimacy emphasizes the closeness between the customers' feelings and emotions and the company, the more intimate the relationship between consumer and company, the more effective its informational relation. In this case, religiosity is proven as the customers' internal drive to stay loyal in using Islamic banks (Mulia et al., 2020; Suhartanto et al., 2019).

In light of that, this research aims to answer questions regarding consumer loyalty models in terms of Indonesian Islamic banking. The study used the perspective of PAKSERV. This scale has accurate instruments to measure the service quality of Islamic banking customers (Alnaser et al., 2018; Kashif et al., 2015). In their previous study, Kashif et al. recommend that a further model and investigation regarding consumer loyalty should be done by using PAKSERV (Kashif et al., 2015). Responding to the discrepancy voiced, this present research aims to explore the route of consumer loyalty by emphasizing religiosity, intimacy, and service quality (PAKSERV scale) as the factors of consumer satisfaction of Indonesian Islamic banking.

2. Literature Review

2.1. Islamic banking

Banking is an essential element in the development and establishment of Indonesia's economy, especially after the Indonesian Law No. 10 of 1998 on banking took effect. This law aims to prepare banking to face globalization. In Indonesia, the seed of Islamic banking had been seen since 1983, in which the banks were allowed to offer credit with 0% interest. At that time, the banking industry began to soar after the ratification of regulation concerning more accessible bank establishments (Anshori, 2008). In 1990, then, the Indonesia Ulema Council (MUI) created a working group to establish a bank with an Islamic basis. This working group eventually is the one who is responsible for the emergence of the first Islamic banking in Indonesia, namely Bank Muamalat (Marimin & Romdhoni, 2017).

Islam does not accept interest. By contrast, profit and loss sharing, as well as with buy and sell principle, is used to replace interest. These principles are the basis of Islamic banking (Abduh & Hussin, 2018; Hardjito, 2016). In addition, Islamic banking also found itself on the principles of Al-Ta'awun and Al-Ikhtinaz. While Al-Ta'awin means helping each other or partnering in terms of prevailing goodness, Al-Ikhtinaz means consistent with the function of money. The latter principle prevents money from piling in particular groups and, at the same time, encourages people who have more money to circulate their wealth in the economy because money is supposed to be a flow concept (Bangsawan, 2017).

2.2 Loyalty

Two concepts make up the very definition of consumer loyalty, namely behavior, and attitude. Behavioral loyalty is the consumer tendency to repurchase a product based on the satisfaction and value of the product. This behavior reflects consumer dedication, enthusiasm, and defensive mentality to repurchase and testify before other consumers. On the other hand, attitudinal loyalty tends to extend the selling preference toward a product, although, admittedly, consumer attitude can be affected uniquely by promotions conducted by the competitors (Melewar et al., 2017; Purwanto et al., 2020; Tabrani et al., 2018). According to previous research, loyalty is often seen from these four dimensions: cognitive, affective, conative, and action loyalty (Purwanto et al., 2020). Those four represent the attribute of an agent and the attitude of consumer loyalty (Tabrani et al., 2018). As to companies, consumer loyalty is an essential factor. This is because budgets for obtaining new customers increase as the competition becomes stiffer, not to mention that the profitability is parallel with the permanent relationship of companies and customers (Belás & Gabčová, 2016; Eklof et al., 2018; Keisidou et al., 2013). In the banking industry, consumer loyalty represents a long term and repetitive protection of customers against other banks (Keisidou et al., 2013; Ladhari et al., 2011). Loyal customers that have a more intimate emotional relationship with their banks are inclined to transfer information towards their friends or families concerning their positive relationship (Fraering & Minor, 2013).

2.3 Satisfaction

Customer satisfaction is a strategic element for a company. The reason is that the continuity of any business depends on customers as the primary source of income (Rehman & Khattak, 2010; Vo et al., 2019). Satisfaction is also a representation of customer emotion and happiness, in which expectations and what is obtained meet (Kashif et al., 2016). Customer expectation derives from collective perception, evaluation, and psychological reaction towards a service or product (George & Kumar, 2014). For companies, satisfaction can be said attained when the customers spread positive news towards their friends, relatives, or other customer groups (Gerrard & Cunningham, 2001). This is the reason for which customer satisfaction is admitted as the foundation of successful marketing. The higher the customer satisfaction is, the higher the level of competitiveness of a company towards its competitor (Kant & Jaiswal, 2017). In the banking industry, satisfaction has commonly concurred as an essential component that each banker should pay more attention to. Because customer satisfaction is a substantial component of any marketing strategy, as stated by previous research, professional staff management plays an essential role in direct service with a client. The frontline position in management should put customer satisfaction as the main aim (Dusuki & Abdullah, 2007; Rehman & Khattak, 2010).

2.4. Religiosity effect on satisfaction and loyalty

Religiosity has multiple interpretations, depending on how an agent interprets it. Religiosity is an expression of religious doctrine that is reflected in the form of social behavior (Mahudin et al., 2016). Alternatively, religiosity can be interpreted as a form of expression of attitude or one's religious level (Mohd Dali et al., 2019). A person that has understood and practiced religion as a part of her life will always be making religion a foundation in taking any decision and actions (Abou-Youssef et al., 2015).

The religiosity of a person can be composed of various dimensions, which one of them is the dimension of practice. The practice is an application or action results from religious belief or religion itself (Mohd Dali et al., 2019). Therefore, the religious level of a person can affect people's mindset, which eventually will also affect one's decision in a situation where there are options. Previous research found that the more adherent and committed someone with her religion (Islam), the more loyal she is towards Islamic banks (Nurhayati & Sukesti, 2017; Suhartanto et al., 2019). The problem is that although the religiosity scale of a customer tends to affect loyalty positively, the influence obtained does not measure how satisfied a customer towards the bank she used (Abou-Youssef et al., 2015; Suhartanto et al., 2019). Different from the finding mention, some research shows that although religiosity affects directly towards the client satisfaction of Islamic bank, religiosity negatively affects client loyalty of Islamic bank (Setiawan et al., 2019; Soma et al., 2017). In light of that, the research also aims to put forth other hypotheses, namely:

H1: Religiosity positively affects the customer satisfaction of Islamic banks.

H2: Religiosity positively affects the customer loyalty of Islamic banks.

2.5 Intimacy effect on satisfaction and loyalty

Customer intimacy emphasizes the closeness between the customers' feelings and emotions and the company (Mulia et al., 2020). The reason is that customers and companies should interact in a two-way relation. With that, the risk of misunderstanding can be eliminated, and positive co-understanding can emerge. This positive relation creates productive relational information. For companies, information from customers can be used to maintain the continuity of their product (Conchar et al., 2004; Martens et al., 2019; Mulia et al., 2020; Nora, 2019). In the banking industry, investing in the development of customer intimacy can establish a comfortable long-term relationship between the bank and customers. This relation helps the banks in categorizing customer preference toward their products (Bugel, 2010; de Waal & van der Heijden, 2016; Omarini, 2011).

Previous studies found that creating loyalty involves customers' affective and cognitive factors. Cognitive factors measure the level of perceived usefulness experienced by the customers, while affective factors play a significant role in strengthening the emotion of familiarity and intimacy (Lee & Kwon, 2011). Recent research has justified that notion. In that research, it is found that customer intimacy affects the client satisfaction and loyalty of Islamic banks positively (Mulia et al., 2020; Tabrani et al., 2018). Indeed, other findings also show that a more intimate relationship between customer and companies enables word of mouth promotion by the customers (Brock & Zhou, 2012; Rahman & Ramli, 2016).

H3: Intimacy positively affects the customer satisfaction of Islamic banks.

H4: Intimacy positively affects the customer loyalty of Islamic banks.

2.6 Service quality effect on satisfaction and loyalty

Service quality has multiple interpretations, but, in general, it is interpreted as an activity that aims to fulfill the customers' function and hope to sustain customer preference of a product (Akhtar & Zaheer, 2014; Ijaz & Ali, 2013). The banking industry is no exception. Service quality eventually became the key for clients to decide which bank that should be trusted in. Besides, the consistency of service quality provided by the bank is the main key factor of customer satisfaction and loyalty (Omoregie et al., 2019). The general theory used in measuring service quality is the five dimensions of the SERVQUAL scale, namely, reliability, responsiveness, tangibility, assurance, and empathy (Parasuraman et al., 1988). However, SERVQUAL is deemed by many researchers to be insensitive for measuring the service quality of developing countries, notably its cultural context (Malhotra et al., 2005). Responding to the criticism towards SERVQUAL, Raajpoot creates PAKSERV, a scale for measuring service quality that is sensitive towards Asian culture (Raajpoot, 2004). PAKSERV scale adds three new dimensions to measure the level of service quality, namely sincerity, personalization, and formality. Thus, PAKSERV is made up of six dimensions, tangibility, reliability, assurance, sincerity, personalization, and formality (Raajpoot, 2004).

PAKSERV has been often used to measure the relationship between service quality and customer satisfaction and loyalty. Previous research has found that service quality (PAKSERV) affects customer loyalty and satisfaction positively in terms of Islamic banking in Palestine and Malaysia. The finding also shows that incorporating cultural perspective can be used accurately to predict the quality of Islamic banking (Alnaser et al., 2018; Kashif et al., 2015). Against the background, the hypotheses of the research are as follows:

H5: Service quality positively affects the customer satisfaction of Islamic banks.

H6: Service quality positively affects the customer loyalty of Islamic banks.

2.6 Satisfaction effect on loyalty

Satisfaction is an element that makes up loyalty. Satisfaction processes and uses the information to create a comparative attitude that compares expectations and reality (Geyskens & Steenkamp, 2000; Henderson et al., 2011). A satisfied customer is the objective of every business (Rehman & Khattak, 2010). This is because a satisfied customer tends to share positive informative with other people. By contrast, a dissatisfied customer tends to share negative information and affect other people to use other products (Aisyah, 2018). Empirically, some research has stated that the higher the customer satisfaction is, the longer the consumer loyalty towards a product (Kaura et al., 2015; Omoregie et al., 2019; Yilmaz et al., 2018). Likewise, in Islamic banking, some researchers found that, statistically, customer satisfaction positively affects customer loyalty in Malaysia (Alnaser et al., 2018; Amin et al., 2011). In light of that, the research also aims to put forth other hypotheses, namely:

H7: Satisfaction positively affects the customer loyalty of Islamic banks.

3. Methodology

3.1 Analysis techniques and measurement

This study uses a quantitative approach, the data collected is analyzed by the method of Structural Equation Modeling (SEM) using AMOS 23 and SPSS software. SEM analysis includes various statistical analyzes such as path analysis, confirmatory factor analysis (CFA), causal modeling with latent variables and multiple regression analysis of variance (Hair et al., 2014). This study uses five variables (see table 2) consisting of three exogenous variables (religiosity, intimacy and service quality), one mediation variable (satisfaction), and one endogenous variable (loyalty). Next, the religiosity variable is measured using four question items adapted (Abror et al., 2019; Suhartanto et al., 2019), the intimacy variable is measured using four question items adapted (Brock & Zhou, 2012; Tabrani et al., 2018), variable service quality is measured using six-question items adapted (Kashif et al., 2015; Raajpoot, 2004), for variable satisfaction and loyalty are both measured using three questions adapted (Suhartanto et al., 2019)

3.2 Data and profile respondent

The sample in this study is 308 respondents, using online questionnaires as distribution media. The research sample was taken using a purposive random sampling approach, with criteria; (1) college students as consumers of Islamic banks in Indonesia, (2) professionals as consumers of Islamic banks in Indonesia, (3) entrepreneurs as consumers of Islamic banks in Indonesia. Furthermore, this research was conducted using Islamic communities, Islamic institutions and Islamic firm in Indonesia. Because this area is the main market for Islamic banks so that sampling can be focused according to predetermined criteria. The sampling frequency of the study can be seen in table 1. The frequency based on gender tends to be balanced, for males is 162 respondents (52.6 percent) and females are 146 respondents (47.4 percent) of the total sample. The frequency based on region was dominated by respondents from the Special Region of Yogyakarta, namely 119 respondents (38.6 percent) of the total sample. Furthermore, the majority of the sample in this study used Bank Mandiri Syariah accounts, namely 121 respondents (39.3 percent) of the total sample. While the frequency based on interesting work is observed, because when the percentage is analyzed there is no big gap between students (44.8 percent) and professionals (40.9 percent).

Table 1. Profile respondent

Respondent Demographics		Frequency	Percentage
Gender	Male	162	52.6
	Female	146	47.4
Domicile by Regional	Special Region of Yogyakarta	119	38.6
	Central and East Java	98	31.8
	West Java and Banten	44	14.3
	Special Region of Jakarta	32	10.4
	Others	15	4.9
Job	College Student	138	44.8
	Professional	126	40.9
	Entrepreneurs	44	14.3
Bank Account	Bank Syariah Mandiri	121	39.3
	Bank BNI Syariah	72	23.4
	Bank BRI Syariah	57	18.5
	Bank Muamalat	37	12.0
	Bank BPD Syariah	21	6.8

Source: Author's research, 2020

4. Empirically result

4.1 Analysis techniques and measurement

The data quality test is a step in a research model before arriving at the influence test and correlation test. In general, data validity is used to describe the suitability of each indicator to the variable. Meanwhile, data reliability is used to show the reliability of research data (Jonker & Pennink, 2009). CFA is SEM approach in order to confirm model value factor, removing the factor scores were low, and assess the level of convergent validity in model study (Anwar et al., 2018). The first measurement (see figure 1) is used to measure reliability and validity level of the research construct. Output value indicates (see table 3), the majority of items that are in the high level of convergent validity (> 0.70). However, there is still a value below 0.70 but still in the range above 0.50 (RLG4 and LYL1 = acceptable convergent validity). while the fit model value shows good results (χ^2/df = 2.586, AGFI = 0.85, CFI = 0.95, TLI = 0.94, NFI = 0.93, RMR = 0.04, RMSEA = 0.07). CFA measurement output can be concluded in a state fit model and recommended loading factor (Hair et al., 2010; Hu & Bentler, 1999; Tanaka, 1993).

Table 2. Discriminant validity test

Lantent Variable	MSV	√AVE	Satisfaction	Religiosity	Intimacy	Service Quality	Loyalty
Satisfaction	0.634	0.929	**0.929**				
Religiosity	0.399	0.721	0.408	**0.721**			
Intimacy	0.612	0.827	0.714	0.632	**0.827**		
Service Quality	0.634	0.798	0.796	0.472	0.769	**0.798**	
Loyalty	0.612	0.829	0.726	0.499	0.782	0.751	**0.829**

Source: Author's research, 2020

Furthermore, the research construct validity was measured using the item total correlation and square root AVE (√AVE). The recommended cut off value for corrected item total correlation is in the range > 0.40 and the square root AVE value is in the range > 0.70 (Clark & Watson, 1995; Hair et al., 2010; Ladhari, 2010). Meanwhile, the reliability of the research construct was measured using the composite reliability (CR) and Cronbach's alpha values (CA). The recommended cut off value for composite reliability and Cronbach's alpha is in the range > 0.70 (Hair et al., 2010; Nunnally & Bernstein, 1994). Data processing show (see table 2), the value of the corrected item total correlation for each instrument is in the range 0.561 to 0.927. Square root AVE value; for religiosity = 0.721, intimacy = 0.827, service quality = 0.798, satisfaction = 0.929, and loyalty = 0.829. While the test output on composite reliability (CR) and cronbach's alpha (CA) shows a value; religiosity (CR = 0.762, CA = 0.759), intimacy (CR = 0.896, CA = 0.904), service quality (CR = 0.913, CA = 0.910), satisfaction (CR = 0.950, CA = 0.947), and loyalty (CR = 0.867, CA = 0.854). Thus, all research instruments can be concluded to be reliable and valid because they meet the recommended cut off value criteria.

Table 3. Reliability and convergent validity test

Latent Variable	Manifest variables	Factors Loadings	Item total correlation	√AVE	AVE	CR	CA	VIF
Religiosity	RLG4	0.679	0.607	0.721	0.519	0.764	0.759	1.557
	RLG3	Dropped	-					
	RLG2	0.772	0.619					
	RLG1	0.708	0.561					
Intimacy	INT4	0.834	0.798	0.827	0.684	0.896	0.904	2.431
	INT3	0.872	0.846					
	INT2	0.809	0.761					
	INT1	0.791	0.731					
Service Quality	SRV6	0.813	0.774	0.798	0.637	0.913	0.910	2.920
	SRV5	0.828	0.789					
	SRV4	0.791	0.757					
	SRV3	0.829	0.781					
	SRV2	0.727	0.689					
	SRV1	0.797	0.732					
Satisfaction	SAT3	0.866	0.838	0.929	0.864	0.950	0.947	2.638
	SAT2	0.965	0.927					
	SAT1	0.954	0.908					
Loyalty	LYL3	0.881	0.787	0.829	0.688	0.867	0.854	-
	LYL2	0.898	0.765					
	LYL1	0.694	0.643					

Source: Author's research, 2020

4.2 Structural Models

The structural model 1 was tested for the effect of each network type on satisfaction variable. Output analysis shows (see table 4), the value of χ^2/df = 2.952, AGFI = 0.85, CFI = 0.95, TLI = 0.94, NFI = 0.93, RMR = 0.04, and RMSEA = 0.08. It can be concluded that the output parameters of the structural models showed good results as recommended (Hair et al., 2010; Hu & Bentler, 1999; Tanaka, 1993). Structural model 1 shows the results; religiosity has negative effect on satisfaction (β = -0.06, p = > 0.001), intimacy has unsignificant positive effect on satisfaction (β = 0.24, p = > 0.001), whereas service quality significantly positive effect on satisfaction (β = 0.65, p = < 0.001). R^2 value is 0.66 which indicates that networking explains 66 percent of variation in satisfaction variable.

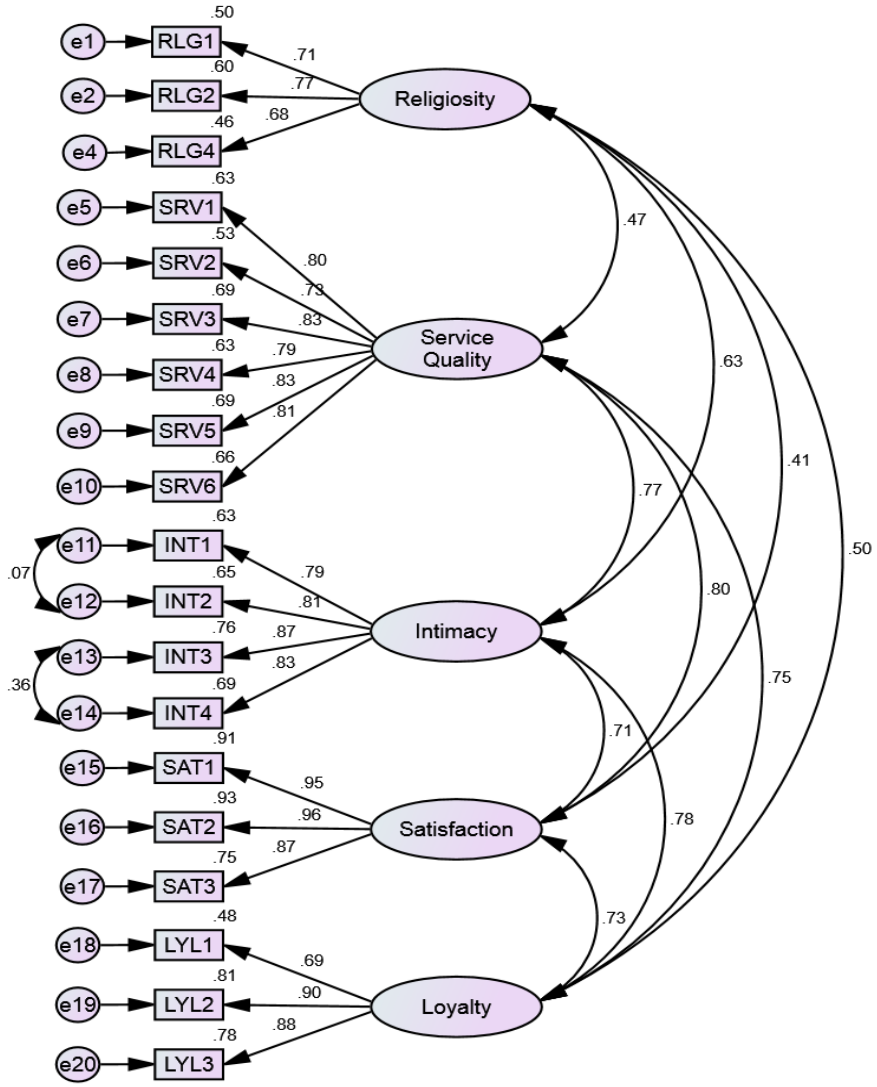


Figure 1, Measurement Models

Source: Author's research, 2020

The structural model 2 was tested for the effect of each network type on loyalty variable. Output analysis shows (see table 4), the value of χ^2/df = 2.416, AGFI = 0.87, CFI = 0.96, TLI = 0.95, NFI = 0.93, RMR = 0.04, dan RMSEA = 0.06. It can be concluded that the output parameters of the structural models showed good results as recommended (Hair et al., 2010; Hu & Bentler, 1999; Tanaka, 1993). Structural model 2 shows the results; religiosity has negative effect on loyalty (β = 0.05, p = > 0.001), intimacy significantly positive effect on loyalty (β = 0.40, p = < 0.001), and service quality significantly positive effect on loyalty (β = 0.43, p = < 0.001). R^2 value is 0.65 which indicates that networking explains 65 percent of variation in loyalty variable.

The structural model 3 was tested for the effect of satisfaction on loyalty. Output analysis shows (see table 4), the value of χ^2/df = 2.910, AGFI = 0.94, CFI = 0.99, TLI = 0.98, NFI = 0.99, RMR = 0.03, dan RMSEA = 0.08. It can be concluded that the output parameters of the structural models showed good results as recommended (Hair et al., 2010; Hu & Bentler, 1999; Tanaka, 1993). Structural model 3 shows the results; satisfaction significantly positive effect on loyalty (β = 0.67, p = < 0.001) and R^2 value is 0.52 which indicates that networking explains 52 percent of variation in loyalty variable. After all test assumptions are met, the next analysis is a full structural model for the relationship between networks to loyalty mediated by satisfaction.

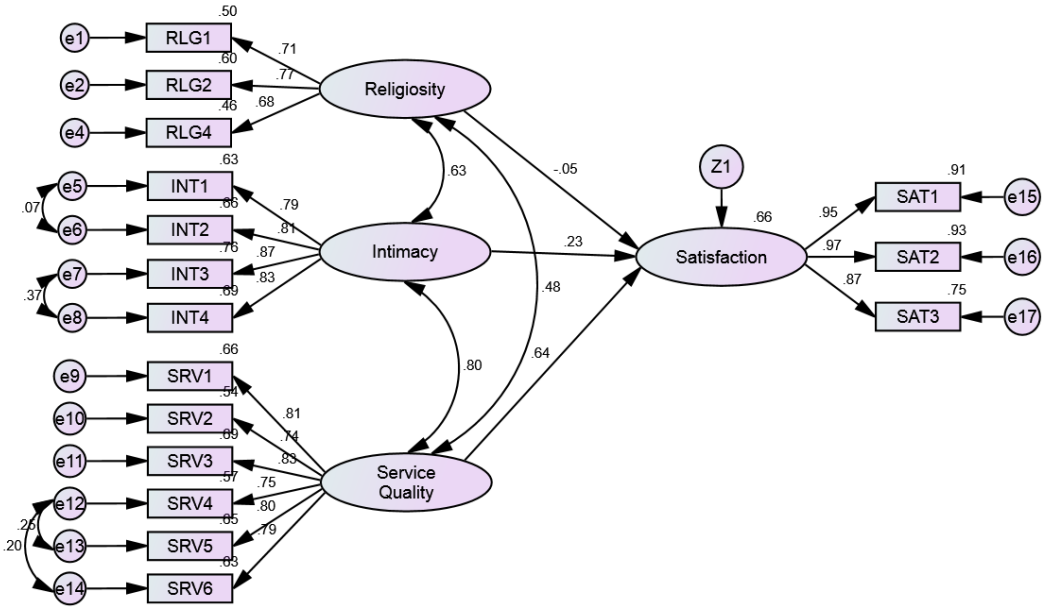


Figure 2, Measurement Models 1

Source: Author's research, 2020

The structural full model was used to measure interaction factors on loyalty mediated by satisfaction. The output model shows (see table 4), the value of χ^2/df = 2.468, AGFI = 0.86, CFI = 0.96, TLI = 0.95, NFI = 0.93, RMR = 0.04, and RMSEA = 0.07. It can be concluded the output parameters in the full model show good results according to the recommendations (Hair et al., 2010; Hu & Bentler, 1999; Tanaka, 1993). The full model output shows, the results of indirect effect and direct effect religiosity to loyalty are insignificant (β = -0.014, β = 0.041, and p = > 0.05), indicating there is no mediation between these variables. Meanwhile, the results of indirect effect and direct effect intimacy to loyalty are significant (β = 0.056, β = 0.402, and p = < 0.05), indicating that satisfaction partialy mediated the relationship between intimacy and loyalty. Finally, for service quality to loyalty; indirect effect shows significant results (β = 0.150, p = < 0.05) and direct effect shows unsignificant results (β = 0.235, p = > 0.05), it can be concluded that satisfaction fully mediates the relationship between service quality and loyalty.

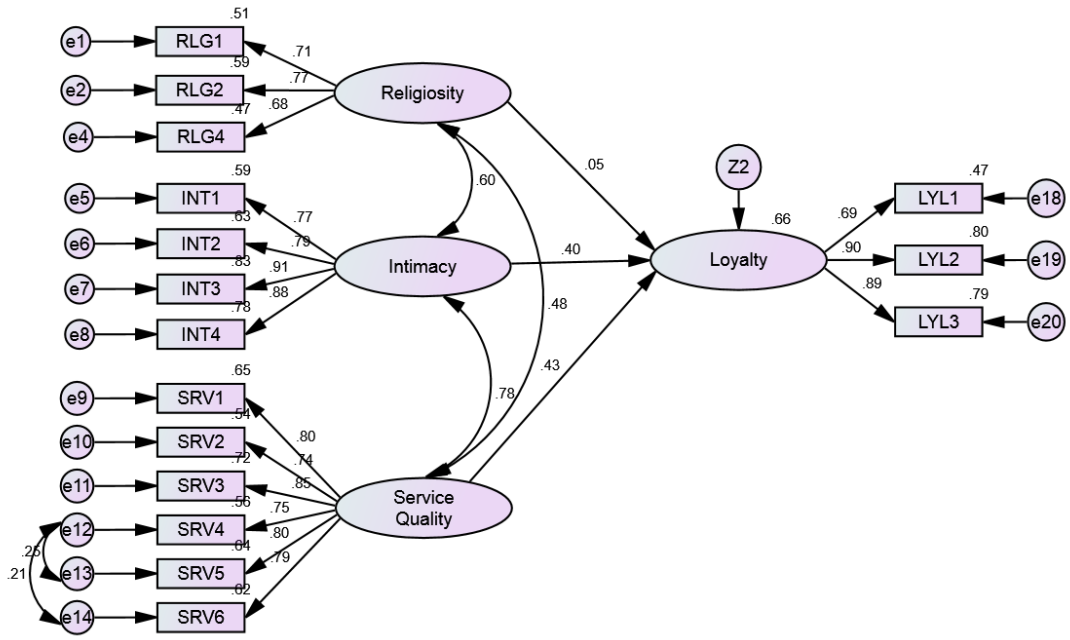


Figure 3, Measurement Models 2

Source: Author's research, 2020

Table 5 shows the standardized direct effect and total effect on the particular variables. In this study, total effect of religiosity on loyalty (through satisfaction) is (estimate = 0.027, p = > 0.05), intimacy on loyalty (through satisfaction) is (se = 0.458, p = < 0.05), and service quality on loyalty (through satisfaction) is (se = 0.385, p = < 0.05). The direct effect of religiosity on satisfaction indicates not significant (se = -0.062, p = > 0.05), intimacy on satisfaction indicates not significant (se = 0.239, p = > 0.05), and service quality on satisfaction indicate significant (se = 0.645, p = < 0.05). Whereas, output total effect of satisfaction on loyalty is (se = 0.233, p = < 0.05) and direct effect of satisfaction on loyalty is (se = 0.233, p = < 0.05).

Table 4. The goodness of fit models

Models	x^2	df	x^2/df	GFI	AGFI	CFI	TLI	NFI	RMR	RMSEA
Measurement	362.06	140	2.586	0.89	0.85	0.95	0.94	0.93	0.04	0.07
Model 1	279.49	93	2.952	0.90	0.85	0.95	0.94	0.93	0.04	0.08
Model 2	231.97	96	2.416	0.91	0.87	0.96	0.95	0.93	0.04	0.06
Model 3	23.277	8	2.910	0.98	0.94	0.99	0.98	0.99	0.03	0.08
Full Model	339.17	137	2.468	0.90	0.86	0.96	0.95	0.93	0.04	0.07
Fit Range	-	-	1-3	≥ 0.90	≥ 0.80	≥ 0.95	≥ 0.90	≥ 0.90	≤ 0.09	≤ 0.08

Source: Author's research, 2020

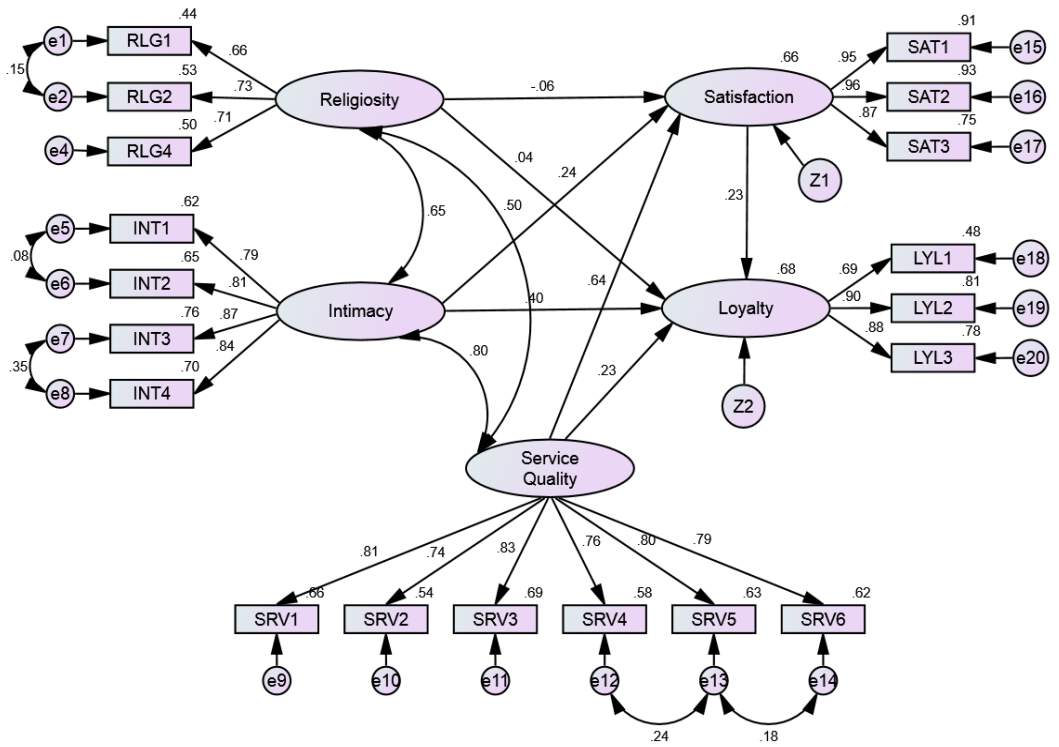


Figure 4, Measurement Full Models

Source: Author's research, 2020

Table 5. Standardized effect output

Variable Relationship	Direct Effect	*p*	Indirect Effect	*p*	Total Effect	*p*
Loyalty <--- Intimacy (through Satisfaction)	0.402	0.002	0.056	0.048	0.458	0.002
Loyalty <--- Service Quality (through Satisfaction)	0.235	0.050	0.150	0.021	0.385	0.001
Loyalty <--- Religiosity (through Satisfaction)	0.041	0.618	-0.014	0.420	0.027	0.708
Satisfaction <--- Intimacy	0.239	0.061	-	-	0.239	0.061
Satisfaction <--- Service Quality	0.645	0.001	-	-	0.645	0.001
Satisfaction <--- Religiosity	-0.062	0.545	-	-	-0.062	0.545
Loyalty <--- Satisfaction	0.233	0.019	-	-	0.233	0.019

Source: Author's research, 2020

4.3 Discussion

The results of hypothesis 1 indicate that customer religiosity has a negative effect on customer satisfaction, it can be seen from the value of the critical ratio < 1.96, as well as the structural model 1 output (H1 = not supported). Similarly, the results of hypothesis 2 show that customer religiosity has a negative effect on customer loyalty, these results can be seen from the critical ratio value < 1.96, as well as the structural model 2 output (H2 = not supported). The results of this study reject the results of previous studies, which state that the higher level of customer religiosity will affect the level of customer satisfaction and loyalty to the bank used (Suhartanto et al., 2019; Soma et al., 2017). This study tends to support the statements of Setiawan et al (2019); that the loyalty and customer satisfaction of Islamic banks is not determined based on the level of fanaticism (religiosity) towards religion, rather on the conveniences and product variations (according to customer preferences) provided by Islamic banks.

The results of hypothesis 3 indicate that customer intimacy has a positive effect on customer satisfaction, it can be seen from the value of the critical ratio > 1.96, as well as the structural model 1 output (H3 = supported). Similarly, the results of hypothesis 4 show that customer intimacy has a positive effect on customer loyalty, these results can be seen from the critical ratio value > 1.96, as well as the structural model 2 output (H4 = supported). The results of this study support the results of previous studies, which state that the higher level of customer intimacy will affect the level of customer satisfaction and loyalty to the bank used. The closer relationship between consumers and banks has an impact on the willingness of consumers to develop their commitment as a consequence of the satisfaction they get, so that the experience can be transmitted to the people closest to them (Mulia et al., 2020; Tabrani et al., 2018; Brock & Zhou, 2012).

The results of hypothesis 5 indicate that service quality has a positive effect on customer satisfaction, it can be seen from the value of the critical ratio > 1.96, as well as the structural model 1 output (H5 = supported). Similarly, the results of hypothesis 6 show that service quality has a positive effect on customer loyalty, these results can be seen from the critical ratio value > 1.96, as well as the structural model 2 output (H6 = supported). This supports the fact that Indonesia is a multicultural country. Cultural differences lead to different sets of expectations, thus affecting the flexibility of service quality dimensions provided (Kashif et al., 2015). Furthermore, the results of this study also support previous research, which states that service quality (PAKSERV) has a positive effect on customer satisfaction and loyalty of Islamic bank customers (Alnaser et al., 2018; Kashif et al., 2015; Raajpoot, 2004).

The results of hypothesis 7 indicate that customer satisfaction has a positive effect on customer loyalty, it can be seen from the value of the critical ratio > 1.96, as well as the structural model 3 output (H7 = supported). This study supports the results of previous studies which state that the higher customer satisfaction is, the longer consumer loyalty towards a product (Kaura et al., 2015; Omoregie et al., 2019; Yilmaz et al., 2018). Likewise, in Islamic banking, some researchers found that, statistically, customer satisfaction positively affects customer loyalty in Malaysian Islamic banking (Alnaser et al., 2018; Amin et al., 2011).

5. Conclusion and recommendation

In general, the result of the study state consistency between customer satisfaction and customer loyalty in the context of Islamic bank. As well, intimacy and service quality variables play an essential role in increasing customer satisfaction and loyalty of Islamic banks. Intimacy between the customer and the company (Islamic bank) is crucial for the process of transferring information; the more intimate, the information obtained by the company will be more accurate. Information disclosed by consumers can be an excellent input for the development of their products. The accuracy of information can also help management to process customer preferences so that the services or products offered are more customer-oriented. Furthermore, the findings of this study state that service quality oriented to local culture is more accepted by Indonesian customers (Islamic banks). Service tendencies that are oriented to the culture adopted by customers, are more representative of customer expectations and desires.

Islamic banking is a service company, the quality of service is accepted is determined by the customer himself, so that only satisfaction can be achieved by providing good quality service. This study has evidence that customer satisfaction is a description of the extent where the perceived performance of the marketing and professional staff can meet customer expectations. When the performance in the marketing performance and professional staff on top Customer expectations, then customers will feel satisfied so that loyalty arises. As a form of loyalty can be seen not only from intention to buy but also customer behavior for and share the intention to buy return even if the prices of Islamic bank products increase. On the other hand, an interesting finding in this study is that Customer religiosity has no positive effect on customer satisfaction and customer loyalty. In fact, a Muslim with a high level of religiosity tends to prefer Islamic banks compared to conventional bank. Decision to choose a bank sharia to carry out transaction activities finance has become a consciousness for Muslims to practice it because of the Islamic bank called non ribawi bank. However, this study proves that despite one's level of religiosity in Islam it can be seen from how often a person performs his worship, but it does not affect the economic activities carried out. In the context of satisfaction and loyalty to Islamic banks, customers prioritize the benefits rather than the value of religiosity.

Practically, the findings of this study can be used by Islamic banking management to focus on modifying service quality by emphasizing the dimensions of sincerity, personalization, and formality. And stay focused on the customer relationship with the company. Furthermore, bank management can categorize customers based on how intimate the relationship has been. the category does not only focus on the number of customers investing (savings or deposits), but also considers the psychological aspects of customers, for example; customers who volunteer to become banking agents in the transfer of product information and promotions from Islamic banking, customers who are in a certain Islamic community, and customers who personally want to contribute to developing Islamic banking in Indonesia.

6. Limitation and future research

Although the research findings illustrate the relationship between variables, they must be carefully defined. This is because the scope of this research only focuses on a few areas in Indonesia. Therefore, it is advisable to carry out further research involving a larger and more pluralistic sample in Indonesia so that it can define research variables more comprehensively. In addition, further research must consider other variables related to customer loyalty in Islamic banking. Such as further development of the scale of service quality with an Islamic perspective, considering moderating characteristic aspects such as self-efficacy and customer involvement, and behavioral aspects such as trust. This is because, in practice the quality of sharia services is very important to be implemented by Islamic banks, customers feel satisfied and loyal not from the level of religiosity, but from the benefits and services provided by Islamic banks.

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