
Determinant Customer Loyalty Model of Sharia Banking (Case in Indonesia)

Dhenok Darwanti *, Cicih Ratnasih *)

Abstract:

This study aims to determine the extent to which the influence of service quality, corporate image of customer loyalty through customer satisfaction at Bank Sharia in Indonesia. Data processing method using path analysis method (Path Analysis) with the help of SPSS version 21.0.

The statistical test used the significance test of individual parameters (t-test) and simultaneous significance test (F-test). The results showed that simultaneously variable quality of service, corporate image, and customer satisfaction have a significant effect on customer loyalty.

Partially shows that analysis (1) service quality variables significantly influence customer loyalty, while analysis (2) corporate image variable significantly influence customer loyalty and on analysis (3) customer satisfaction variable significantly influence customer loyalty performance.

Keywords: Sharia banking, customer loyalty, customer satisfaction, service quality.

**) Faculty of Economics, Borobudur, Universitas, Jakarta, Indonesia, e-mail: residhen@yahoo.com cicihilali@yahoo.com*

1. Introduction

Customer satisfaction will be the guideline to drive the entire organization towards fulfilling customer needs so that it becomes a source of sustainable competitive advantage either in goods or services (Dimitriades, 2006; Suryanto and Ridwansyah, 2016; Setyawati et al., 2017). From a customer perspective, many complaints, and customer rights are ignored over overly high prices, slow and inhospitable service, adverse promotions, inadequate post-sale guarantees, poor quality of products and services. The difference between expectation and reality obtained by this customer, if not well anticipated by the entrepreneur will be booming for the entrepreneur itself.

Customers as users of goods or services require a clear legal protection in obtaining satisfaction and feasibility in consumer goods or services. According to Law No.8 of 1999, article 1 point 1 Protection of customers is "any endeavor that ensures legal certainty to provide protection to customers".

In the long term, customer loyalty becomes the goal for strategic market planning (Kotler, 2007 in Dharmesta, 2009); it also serves as the basis for sustainable competitive development (Dick and Basu, 2007 in Dharmesta, 2008), which are excellence that can be realized through marketing efforts. Customer loyalty positively affects company earnings through the effect of cost reduction and additional revenue per customer (Berry, 2009 in Thurau, 2008; Permana, 2017; Amilin, 2017). Considering the effect of cost reduction reported that while maintaining customer loyalty will cost less than acquire one new customer and the cost to keep customers decreased throughout the lifecycle phase of the relationship.

Companies operating in the service and goods sectors will consider the policy of how important the quality of service is given compared to the satisfaction received by the customers. Quality of service and customer satisfaction are a different concept with the argument that the perceived service quality is a form of attitude, a thorough evaluation in the long run, while the satisfaction shows the size of a particular transaction. Therefore, satisfaction takes place in the short term. The higher the level of service quality perceived, the increased customer satisfaction. The statement confirms the close relationship between service quality and customer satisfaction. (Parasuraman, 2008)

Quality encourages customers to establish a close relationship with the company so as to enable the company to carefully understand the expectations and needs, which ultimately the customer satisfaction can create loyalty to the company. In the long run, customer loyalty becomes the goal for strategic market planning (Kotler, 2007 in Dharmesta, 2006); it also serves as the basis for sustainable competitive development (Dick and Basu, 2004 in Dharmesta, 2009), which are excellence that can be realized through marketing efforts.

Corporate image is a process (MacInnis and Price in Aydin and Ozer, 2005). Starting from the ideas, feelings and experiences of consuming the company derived from memory and converted into mental images (inner) (Yullie and Catchpole in Aydin and Ozer, 2005). Creating a positive or good corporate image is possible by helping customers see the privilege of the product through the best way to do what is possible to display a positive image of the company and services and develop relationships that can make customers feel privileged and personally valued.

Customers assess corporate image not only on the basis of functional quality alone but also based on the psychological attributes that the company reflects. Nguyen and Leblanc explain that there are two basic components of corporate image, that are functional and emotional, where the functional components are related to easily

measured attributes, while the emotional component is related to the psychological dimension, like customer's feelings and attitudes toward the company, based on the customer experience when interacting with the company and attribute information that describes the image of the company (Jamal and Kamal, 2004). In other words, the image is formed based on the experience with customers of the company's products or services, which later can be taken into consideration to make decisions.

2. Literature Review

Consumer loyalty, in general, can be interpreted as a person's loyalty to a product, both goods, and services. Consumer loyalty is a continuation of customer satisfaction in using the facilities or services provided by the company, and to remain a consumer of the company (Ahmad, 2005). Loyalty is a proof that consumers are always customers, who have the power and a positive attitude toward the company. From the above explanation can be seen that each customer has a different loyalty base, and this depends on their objectivity.

Regarding customer loyalty according to Tjiptono (2000) is suggested that: *"Loyalty is a situation where 25 consumers are positive to the product or producer (service provider) and are accompanied by consistent repurchase patterns."* While the definition of loyalty by Griffin (2008) is: *"Loyalty is defined as non-random purchase expressed over time by some decision-making unit."*

The above definition shows that loyalty is more shown to a routine purchasing behavior by turning on the decision-making unit. and it can be concluded that loyalty is made up of two components; loyalty as a behavior is a consistent buyback and loyalty as an attitude that is a positive attitude towards a product or manufacturer (service provider).

Each product brand has its own distinction. Consumers in meeting their needs and wants will buy products with a brand. If the consumer's chosen brand can satisfy his needs and wants, then the consumer will have a deep memory of the brand. In these circumstances, customer loyalty will begin to arise and develop. On subsequent purchases, the consumer will choose a product with a brand that has given him satisfaction, so there will be repeated purchases of the brand.

On the contrary, if the brand cannot satisfy the consumer then on the next purchase the brand will be abandoned and not selected again. Therefore, companies must know the needs and desires of consumers to remain loyal to the brand. Farquahar, (2004) states that *"Loyalty is not a percentage of first-time buyers, but repeat purchases Loyalty is the percentage of people who have bought in a given period and made repurchases since the first purchase"*.

Customer satisfaction is understood as the customer's emotion or feeling the reaction to the perceived difference between performance appraisals and expectations

(Oliver, 2000; Rust, Zahorik and Keiningham, 2006; Yi, 2000 in Thureau, 2002). The concept closest to results relating to service quality is described as a customer evaluation of the work of the service provider, based on previous experience and impressions. As in the case of satisfaction, the relevance of quality to long-term success is unnecessary (Parasuraman, and Berry, 2008 in Thureau, 2002). Research conducted by Dabholkar et al. (2000) in Tjitono (2005), states that service quality has a significant effect on customer satisfaction. Other studies also show the relationship between service quality and customer loyalty (Zeithmal, Berry and Parasuraman, 2006 in Thureau, 2002).

Al-Hawari (2008) said that customer satisfaction serves as a guide to direct the entire organization towards meeting customer needs so that it becomes a source of sustainable competitive advantage. From a customer perspective, many complaints and customer rights are ignored regarding over-priced, slow and unfriendly service, harmful promotions, inadequate post-sale guarantees, poor quality of products and services. The difference between expectation and reality obtained by this customer, if not well anticipated by the entrepreneur will be booming for the entrepreneur itself.

Corporate image is a process (MacInnis and Price in Aydin and Ozer, 2005). Starting from the ideas, feelings and experiences of consuming products or services from the company derived from memory and converted into mental images (inner) (Yullie and Catchpole in Aydin and Ozer, 2005). To create a positive or good corporate image can be done by helping customers see the privilege of the product through the best way to do what is possible to display a positive image of the company and services and develop relationships that can make customers feel privileged and valued personally (Ali, F., Khan, U.S., & Rehman, F.A.M.S., 2012).

3. Methodology

The first step in path analysis is to design models based on concepts and theories. Conducting an examination of the assumptions underlying the path analysis i.e. the relationship between variables is linear and additive. The model used is a recursive one-way causal flow system, while a respiratory model or two-way causal flow cannot be analyzed.

The next step in path analysis is parameter estimation or path coefficient calculation. For parameter estimation done by regression analysis through software SPSS 22.0 for windows. The calculation of path coefficient is processed by using SPSS software version 22.0. Path analysis is used to analyze the relationship pattern between variables with the aim to know the direct or indirect effect of a set of exogenous variables on endogen.

Structure 1: $Y = \rho_{yx1} X_1 + \rho_{yx2} X_2 + \rho_{y\epsilon 1}$

Structure 2: $Z = \rho_{zx1} X_1 + \rho_{zx2} X_2 + \rho_{zy} + \rho_{z\epsilon 2}$

where:

ρ = standardized regression coefficient / path coefficient

= influence of other variables not examined or error measurement variable

Calculation of direct and indirect influence:

Based on Summary and Sub Line Coefficient of Structure 1, Sub Structure 2 and Sub Structure 3, it can be known the magnitude of direct influence and indirect influence between variables.

Table 1. Direct Effect

| Effect | Toward | Symbol |
|----------------------------|----------------------------|--------------|
| Service quality (X1) | Customers satisfaction (Y) | ρ_{yx1} |
| Corporate image (X2) | Customers satisfaction (Y) | ρ_{yx2} |
| Service quality (X1) | Customers loyalty (Z) | ρ_{zx1} |
| Corporate image (X2) | Customers loyalty (Z) | ρ_{zx2} |
| Customers satisfaction (Y) | Customers loyalty (Z) | ρ_{zy} |

Table 2. Indirect Effect

| Effect | Toward | Through | Symbol |
|----------------------|-----------------------|----------------------------|-------------------------------|
| Service quality (X1) | Customers loyalty (Z) | Customers satisfaction (Y) | $\rho_{yx1} \times \rho_{zy}$ |
| Corporate image (X2) | Customers loyalty (Z) | Customers satisfaction (Y) | $\rho_{yx2} \times \rho_{zy}$ |

4. Results and Discussion

Interpretation of sub test result of structure 1:

The rules of significance testing are:

If the probability value of 0.05 is less than or equal to the probability value of sig. or $[0.05 \leq \text{Sig}]$, then H_0 is accepted and H_a is rejected, meaning not significant.

If the probability value of 0.05 is greater than or equal to the probability value of Sig or $[0.05 \geq \text{Sig}]$, then H_0 is rejected, and H_a is accepted, meaning significant.

Quality of service and corporate image simultaneously affect/together on customer satisfaction:

It is shown the test together/S test obtained Sig 0,000, where the value of sig. 0.000 is smaller than 0.05 or $[0,000 < 0.05]$, then H_0 is rejected and H_a accepted means the coefficient of path analysis is significant. Thus, the quality of service and the cira of the company influence together towards customer satisfaction.

Service quality affects customer satisfaction:

It is shown that the test individually (partial)/t-test obtained sig. 0,000 value, where the value of sig. 0.000 is smaller than 0.05 or $[0,000 < 0.05]$, then H_0 is rejected and

Ha accepted means the coefficient of path analysis is significant. Thus, the quality of service significantly influences customer satisfaction.

Corporate image affects customer satisfaction:

It is shown the test individually (partial)/t-test obtained sig. 0,000 value, where the value of sig. 0,000 is smaller than 0.05 or $[0,000 < 0.05]$, then H0 is rejected and Ha accepted means the coefficient of path analysis is significant. Thus, corporate image significantly influences customer satisfaction.

Interpretation of sub test result structure 2:

Quality of service and corporate image simultaneously affect together on customer loyalty. It is shown that the test together/test F obtained Sig 0,000, where the value of Sig 0.000 is smaller than 0.05 or $[0,000 < 0.05]$, then H0 is rejected and Ha accepted means the coefficient of path analysis is significant. Thus, the quality of serving and corporate image affects collectively towards customer loyalty.

Service quality affects customer loyalty:

It is shown that the individual test (partial)/t-test obtained Sig 0,000 value, where the value of Sig 0.000 is smaller than 0.05 or $[0,000 < 0.05]$, then H0 is rejected and Ha accepted means the coefficient of path analysis is significant. Thus, the quality of service significantly influences customer loyalty.

Corporate image affects customer loyalty:

In Table 2 is shown the Individual test (partial) / t-test obtained Sig 0,000 value, where the value of Sig 0.000 is smaller than 0.05 or $[0,000 < 0.05]$, then H0 is rejected and Ha accepted means the coefficient of path analysis is significant. Thus, corporate image significantly influences customer loyalty.

5. Conclusion

The results showed that service quality had the positive and significant effect directly on customer satisfaction. Based on the results of the analysis, obtained the coefficient of variable path (Beta) quality of service to customer satisfaction variable is equal to 0.333 with significance 0.000.

The results showed that corporate image has a positive and significant effect directly on customer satisfaction. Based on the results of the analysis, obtained coefficient path (Beta) variable corporate image to customer satisfaction variable is equal to 0,594 with significance 0.000.

The results showed that service quality had the positive and significant effect directly to customer loyalty. Based on the results of the analysis, obtained coefficient path (Beta) variable quality of service to customer loyalty variable is equal to 0.322 with significance 0.000.

The results showed that corporate image has a positive and significant effect directly on customer loyalty. Based on the results of the analysis, obtained

coefficient path (Beta) variable corporate image to customer loyalty variable is equal to 0.605 with significance 0.000.

The results showed that customer satisfaction has a positive and significant effect directly on customer acceptance loyalty. Based on the results of the analysis, obtained coefficient path (Beta) variable customer satisfaction to customer loyalty variable is equal to 0.874 with significance 0.000.

The results showed that indirectly the quality of service has a positive and significant impact on customer loyalty. Based on the results of the analysis, obtained coefficient path (Beta) cultural variables organization to customer loyalty variable is 0.291.

The results showed that indirectly corporate image has a positive and significant impact on customer loyalty. Based on the results of the analysis, obtained coefficient path (Beta) variable corporate image to customer loyalty variable is equal to 0,519.

References:

- Amilin, A. 2017. The Impact of Role Conflict and Role Ambiguity on Accountants' Performance: The Moderating Effect of Emotional Quotient. *European Research Studies Journal*, 20(2A), 237-249.
- Ahmad, R. 2005. A conceptualization of a customer-bank bond in the context of the twenty-first century UK retail banking industry. *International Journal of Bank Marketing*, 23(4), 317-333.
- Al-Hawari, D.M. 2008. The influence of traditional service quality factors on customer satisfaction. *Business review Cambridge*.
- Ali, F., Khan, A.S., & Rehman, F.A.M.S. 2012. An assessment of the service quality using gap analysis: A Study Conducted at Chitral, Pakistan, *Interdisciplinary Journal of contemporary research in business* 4(3), 259-266.
- Baurmann, C., Elliott, G. & Hamin, H. 2011. Modelling customer loyalty in financial services: A hybrid of formative and reflective constructs. *International Journal of bank marketing*, 29(3), 247-267.
- Bharati, P., & Berg, D. 2005. Service quality from the other side: Information systems management at Duquesne light. *International Journal of Information Management*, 25(4), 367-380.
- Chen, Mei-Fang & Mau, Liang-Hung. 2009. The impacts of ethical sales behaviour on customer loyalty in the life insurance industry. *The Service Industries Journal*, 29, 1, 59-74.
- Ciptono, W.S., Elfira, S. 2007. Adopting Islamic bank CARTER Model: An empirical study in Riau's Syariah Banks, Indonesia, PESAT Proceeding.
- Dusuki, A.W., Abdullah, N.I. 2007. Why do Malaysian customers patronize Islamic banks. *International Journal of Bank Marketing*, 25(3), 142-160.
- Dimitriades, Z.S. 2006. Customer satisfaction, loyalty and commitment in service organizations some evidence from Greece. *Management Research News*, 29(12), 782- 800.
- Farquahar, J.D. 2004. Customer retention in retail financial services: an employee

- perspective. *The International Journal of Bank Marketing*, 22, 86-99. Forrester.
2004. Loyalty towards banks. *The International Journal of Bank*, 87. Jamal, A., Kamal, N. 2004. Customer satisfaction and retail banking: an assessment of some of the key antecedents of customer satisfaction in retail banking. *International Journal of Bank Marketing*, 20(4), 146-160.
- Kim, K. 2004. Conceptualizing, measuring, & managing customer-based brand Equity. *Journal of Marketing*, 57, 1-22.
- Permana, D. 2017. Toward the Best Model of Strategy Implementation in Indonesian Islamic Banking from the Lens of Strategic Clarity. *European Research Studies Journal*, 20(4B), 3-15.
- Setyawati, I., Suroso, S., Suryanto, T., Nurjannah, S.D. 2017. Does Financial Performance of Islamic Banking is better? Panel Data Estimation. *European Research Studies Journal*, 20(2A), 592-606.
- Suryanto, T., Ridwansyah, R. 2016. The Shariah financial accounting standards: How they prevent fraud in Islamic Banking. *European Research Studies Journal*, 19(4), 140-157.

bu yolanda 1

ORIGINALITY REPORT

99%

SIMILARITY INDEX

28%

INTERNET SOURCES

9%

PUBLICATIONS

99%

STUDENT PAPERS

PRIMARY SOURCES

1

Submitted to Politeknik Negeri Sriwijaya

Student Paper

99%

Exclude quotes Off

Exclude matches Off

Exclude bibliography On