

The Effects of Trust and Service Quality on Customer Loyalty of Islamic Banks Moderated By Religiosity (A Study of Islamic Bank Customers in Jakarta)

Irma Rasita Gloria Barus¹, Hery Winoto Tj², Soegeng Wahyoedi³

¹College of Vocational Studies, IPB University, Indonesia

^{2,3}Center of Innovation in Applied Management and Behavioral Economy (CIAMBE), Faculty of Economics and Business, Krida Wacana Christian University, Indonesia

irmabarus@apps.ipb.ac.id, Hery.winoto@ukrida.ac.id, swahyoedi@ukrida.ac.id

Abstract

The objective of this study was to analyze the impact of trust and service quality on customer loyalty of Islamic Banks in which religiosity plays a role as moderator. This study identified how trust and service quality of Islamic banks in terms of their conformity with Sharia principles and their safe handling of deposits affect costumer loyalty towards them. The data for the study were collected through questionnaires from 120 individuals participated in the survey using accidental sampling method. The data were analyzed through structural equation modelling – partial least square (SEM-PLS) with WarpPLS 7.0 version of software. The results showed that trust had a positive impact on loyalty of Islamic banks customers. Moreover, it was confirmed that service quality had a positive relationship with customer loyalty of Islamic banks. However, the results could not identify any significant moderating role of religiosity on the relationship between trust on loyalty and service quality on loyalty.

Keywords

loyalty; Islamic banking; trust; service quality; religiosity



I. Introduction

The role of the service sector is becoming increasingly important to a country's economy due to the major forces that change the economy towards a service economy. Changes in government policies, social changes, business trends, advances in information technology, and globalization (Wirtz and Lovelock, 2016) have contributed significantly to the increase in the service sector in a country's economy. One of the important service sectors is banking services, because one of the functions of a bank is to collect funds from the public in the form of savings which are the main source of investment, while investment is the main source for economic growth.

The banking sector in Indonesia operates through a dual system: the conventional banking system and the Islamic banking system with the enactment of Law Number 21 of 2008 concerning Islamic Banking. The characteristics of the sharia banking system that operates on the basis of profit-sharing principles provide an alternative banking system that prioritizes aspects of fairness in transactions, ethical investment, promotes the values of togetherness and brotherhood in production, and avoids speculative activities in financial transactions. The unique feature of Islamic banking is profit sharing and loss sharing (Bitar et al., 2018), indicating that both the debtors and the Islamic Bank share the risk.

The potential of the Islamic banking market in Indonesia is very large considering the fact that the total population of Indonesia reached 268,074 million in 2019, and the Muslim population in Indonesia reached approximately 229.62 million (BPS, 2020). This huge potential has not been handled properly, as evidenced by the low number of accounts

at Islamic banks compared to conventional banks. Meanwhile, in terms of total assets, the contribution of Islamic banking assets to national banking assets has only reached around 4% (OJK, 2020) of the total assets of conventional banking. This shows that there are still many Indonesians who have not used Islamic banking as shown in Table 1 below.

Table 1. Development of Commercial Banks and Sharia Banks in the period of 2018-2020

	2018	2019	2020 *)
Commercial Bank Assets (million Rupiah)	7.751.655	8.212.610	8.670.420
The total of Commercial banks	115	110	110
Commercial Bank Accounts (thousands)	275.764,0	301.697,9	340.206,9
Sharia Bank Assets (million RupiahS)	316.691	350.364	375.157
The total of Sharia Banks	13	14	14
Sharia Bank Accounts (thousand)	29.068,1	32.177,7	35.326,4
Sharia Bank Contribution	3,9%	4,3%	4,2%
Commercial Bank Contribution	96,1%	95,7%	95,8%

*) data of September 2020

Source: Indonesian Banking Statistics September 2020 and Sharia Banking Statistics September 2020 (processed)

From table 1 above, it can be seen that customers' accounts at Islamic Bank are fewer than those of the conventional bank customer accounts. This is an indication of an empirical gap related to the loyalty of Islamic Bank customers.

Loyalty is the intention or tendency of customers to buy back from the same company in the future (Fida et al., 2020). The relationship between customer loyalty and service provider is becoming more intense in a service industry where a variety of innovative options and services are emerging rapidly. Loyal customers are customers who hold a favorable attitude for the organization, because they recommend the organization to other consumers and make repeat purchases and remain loyal to their service provider (Hoq et al., 2010).

Kotler in Kusumadewi (2019) suggested that: "Customer perceived value is the difference between the prospective customer's evaluation of all benefits and all costs of an offering and perceived alternatives. Total customer value is the perceived monetary value of the bundle of economic, functional and psychological benefit customer expect from a given market offering product. Total customer cost is the bundle of cost customer expect to incur in evaluating, obtaining, using and disposing of the given market offering. Consumer behavior is very dynamic and tends to be adaptive, quickly adjust to the demand of the people who always need the public transport. Their demand is complex so that the government should create a good strategy for transport service quality. They need to be managed by the best managers in order to adapt to the users' expectation (Sukesi and Yunus, 2018).

In a service business that relies on a strong relationship between customers and banks, loyalty is the key word to win the competition. Loyal customers will commit to only using one bank regardless of the offer made by competitors. The low contribution of Islamic banks in national banking shows the low customer loyalty to Islamic banks.

As a bank that is run through sharia principles, the element of trust is an important element in the sharia banking business. Wu and Liu (2007) suggest that trust is the belief that providers of goods and services carry out activities and act according to consumer wishes. In the context of Islamic banking, trust is the belief that Islamic banks are run by sharia principles which are completely different from conventional banks. Trust is defined as a customer who believes that Islamic banking operations are carried out with the principles of honesty, fairness and equality (Hoq et al., 2010).

Mahardika et al. (2018) found that although trust has an effect on loyalty, not all dimensions of trust affect loyalty. Meanwhile Sunaryo et al. (2020) and Wahyoedi et al. (2020) did not find empirical evidence that trust is able to affect customer loyalty in Islamic banks. Nejad et al. (2014) found empirical evidence that trust has a significant effect on bank customer loyalty. This finding is confirmed by Rizwan et al. (2014) who also found empirical evidence that trust is a determinant of customer loyalty for Islamic banks in Pakistan.

Apart from trust, the determining factor for customer loyalty for Islamic banks is the quality of service. Ireland (2018) found that in the United Arab Emirates and in Malaysia many Sharia bank customers also use conventional banks. The use of this dual banking system is due to the fact that Islamic banks are inferior in the quality of service provision compared to conventional banks. With the mastery of information technology from conventional and modern banks, conventional bank service products are more attractive than Islamic banks.

Sunaryo (2013) conveyed the relationship between service quality and loyalty through the use of data from 315 respondents in Malang, finding that service quality had a significant positive effect on customer loyalty in Islamic banks. Basalamah et al. (2017) reinforced the finding of Sunaryo (2013) in his research on the effect of service quality and satisfaction on customer loyalty in Islamic Banks in Makassar, who found that service quality had a positive effect on customer loyalty in Islamic Banks.

Awan and Bukhari (2011) conveyed the effect of service quality on loyalty in their research in Pakistan, and they found that service quality had a more dominant influence on loyalty compared to religiosity. Meanwhile, Echchabi and Olaniyi (2012) presented their findings that Islamic bank customers in Malaysia enjoyed superior service quality so that they became loyal to Islamic banks. From these studies, it can be assumed that service quality has an important role in determining customer loyalty for Islamic banks as stated by Kiseleva et al. (2016) that service quality is the backbone of loyalty.

To foster customer loyalty, as a bank that is run by the principles of Islamic sharia, the role of religiosity becomes dominant. Metawa and Al-Mosawwi (1998) investigated the effect of religiosity on customer loyalty of Islamic banks on customers of Islamic banking in Bahrain. They found that religiosity is a major factor for customers in deciding whether they will use Islamic Bank. This opinion is supported by a study conducted by Wahyoedi (2017) who found that significant religiosity has a positive effect on customer loyalty in Islamic banks.

Sunaryo (2020) stated that studies on religious issues as criteria for selecting banks show different findings even among Muslims. In his research which placed religiosity as a moderating variable, he found that there was insufficient evidence that religiosity is able to moderate the effects of service quality as well as trust and satisfaction with customer loyalty in Islamic banks.

Based on the phenomenon and the gap in the relationship between service quality and trust on loyalty, this study aimed to analyse the effects of service quality and trust on customer loyalty in Islamic Banks by placing religiosity as the moderator variable.

II. Review of Literature

Trust is the belief that consumers will find what they want from providers of goods and services. Wu and Liu (2007: 129) further argue that trust is the belief that providers of goods and services carry out activities and act according to consumer wishes. In the context of sharia banking, trust is the belief that Islamic banks are run using sharia principles which are completely different from conventional banks. Trust is defined as a customer who believes that Islamic banking operations are carried out with the principles of honesty, fairness and equality (Hoq et al., 2010).

Bisimwa et al. (2019) found that trust plays an important role in determining loyalty. Trust is defined as the thoughts, feelings, emotions, or behaviors that occur when customers feel that a provider can be relied on to act in their best interest when they give them direct control.

Trust has significant implications in building loyalty (Amin et al., 2013); The higher the customer's trust in their bank, the more likely they will stay with their bank for banking transactions in the future. Interestingly, Cho and Hu (2009) add that trust will increase their willingness to recommend the bank to other customers. As a result, a high level of trust can turn satisfied customers into loyal customers. Meanwhile, the effect of trust on loyalty was tested by Amin et al. (2013) on Muslim customers and non-Muslim customers and found that the influence of trust on loyalty of the Muslim customers was greater than that of the non-Muslim customers. Thus, the first hypothesis in this study was to test whether trust had an effect on customer loyalty in Islamic banks in DKI Jakarta.

H1: Trust has a significant positive effect on customer loyalty in Islamic Banks

Meanwhile, in building relationships between customers and Islamic banks, service quality is the core of a successful relationship between banks and customers. Measurement of service quality is dominated by measurement using the Servqual indicator from Parassuraman et al. (1985). Alnazer et al. (2017) in their research on customer loyalty of Islamic Banks in Palestine found that service quality using the Servqual dimension had a significant positive effect on loyalty. However, Servqual's measurement was felt inaccurate for Muslim societies that require measurement of compliance to religious teachings. For this reason, Othman and Owen (2001) included the element of compliance or adherence to Islamic teachings as one of the determinants of service quality and made Carter's model as a measure of service quality. This Carter measurement has been used by many researchers including Dandis and Wright (2020), Omar and Tiu (2020) found that the dimensions of compliance along with empathy and assurance are the dimensions that most influence loyalty and provide positive results related to their ability to build loyalty. For the case of Indonesia, Fauzi and Suryani (2019) have provided evidence that the Carter model is able to increase customer loyalty in Islamic Banks in Indonesia. In an Eastern society that upholds culture, the quality of service built through Servqual and through the Carter model has not coordinated the role of culture as one of the determinants of service quality. For this reason, Rajpoot (2004) incorporated cultural elements into the measurement of service quality which resulted in the concept of Pakserv (Pakistan Service Quality) because it was tested in Pakistan and gave positive results as a determinant of loyalty.

The combination of Servqual elements with religious elements (Carter) and cultural elements (Pakserv) is appropriate in the context of Indonesia, which deals with a dual banking system (conventional and sharia) in a religious society and upholds local wisdom (culture). Departing with this in mind, this research proposed the newness of service quality measurement that is more comprehensive than the Servqual, Carter or Pakserv models. The validity of the novelty of the conceptuality of the quality indicators of Islamic

banking services in this study was carried out through the good acceptance of service quality indicators by customers of Islamic banks.

H2: service quality has a significant positive effect on customer loyalty

In the world of marketing, consumers are assets that must be maintained and maintained their existence in order to remain consistent with the products we produce. One form of commitment that must be given to consumers is by providing good and satisfying services and leading to the creation of customer loyalty (Romdonny and Rosmadi, 2019).

Religiosity in a marketing framework that emphasizes Islamic principles of Akidah, Sharia, and Morals in the religious behavior of Sharia Bank customers. Based on the customers' religiosity in using banks, the creed is an awareness that every economic activity has an accountability to the creator so that it is expected to be associated with good governance and discipline. Sharia implies that economic transactions are carried out in accordance with religious law which places economic activity in solidarity, with the main objective of achieving mutual prosperity. Morals will guide economic activities to always prioritize the principle of goodness as a means of achieving goals.

The presence of Islamic banking in Indonesia cannot be separated from the element of religiosity, which is a condition that exists within a person that encourages behaviour, attitudes, and actions according to the teachings of his or her religion. Religiosity is a belief and appreciation of religious teachings that direct a person's behaviour in accordance with the teachings of his or her religion (Bley and Kuehn, 2004). Furthermore, Kishada and Wahab (2013) stated that Muslim customers make transactions with Islamic banks for the religiosity reason.

The strength of religiosity will be tested from its ability as a moderator or in strengthening the effect of trust on customer loyalty in sharia banks, and the role of religiosity functioned a moderator of the effect of service quality on customer loyalty. Therefore, the next hypothesis built were

H3: Religiosity moderate the effect of trust on customer loyalty in Islamic banks

H4: Religiosity moderate the effect of service quality on customer loyalty in Islamic banks.

III. Research Methods

The location of the research was conducted in the DKI Jakarta area including West Jakarta, Central Jakarta, South Jakarta, East Jakarta and North Jakarta. The reason for choosing a location in DKI Jakarta is because most of the assets of Sharia Banks, which are around 56 percent of the total national assets of Sharia Banks, are in DKI Jakarta.

The population of this research was all customers of Islamic Bank in DKI Jakarta, with an unknown population. The sampling method was carried out by non-probability sampling with a purposive sampling method i.e. selecting a sample of Sharia Bank customers with the following criteria:

1. Customers of Sharia Bank
2. Customers have used Sharia Bank for a minimum of 1 year
3. Customers are Muslim
4. Customers actively conduct banking transactions with Sharia Banks

In this study, a representative sample size to use Structural Equation Modeling (SEM) Partial Least Square (PLS) analysis was Hair's rule (2014), which is 5 to 10 times the number of indicators. With 24 indicators, according to Hair's rule (2014: 100), the sample in this study was 120 to 240. For this reason, the number of samples used in this study was 120 respondents.

The data in this study included primary data and secondary data. The primary data were collected from the respondents using a tool (instrument) of a list of statements contained in the questionnaire, using accidental sampling method. The five ordinal scales with options ranging from (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, and (5) strongly agree were used to measure the respondents' perceptions of religiosity, service quality, trust, and customer loyalty of Sharia Banks. The secondary data were obtained from the documented and published data which mainly came from Bank Indonesia in the form of historical developments in banking and the Financial Services Authority in the form of Indonesian Banking Statistics and Sharia Banking Statistics. The other secondary data came from the Central Bureau of Statistics. The data analysis tool used was the Structural Equation Modelling –Partial Least Square (SEM-PLS) with licensed WarpPLS version 7 statistical tool.

Operational Variables

The religiosity variable in this study is defined as the understanding and compliance of a person in believing in a religion, which is manifested in the practice of values, rules and obligations, thus encouraging the person to behave and act in accordance with religious teachings in his or her daily life. The formulation of the operationalization of the religiosity variable was first carried out by Stark and Glock (1968) in which they aimed at the Christian community. However, the instrument from Stark and Glock (1968) is not appropriate when applied in the context of an Islamic society which has a very different foundation of faith from the Christian community.

Rehman and Shabbir (2010) further proposed five indicators of religiosity: ritual, ideology, consequence, intellectual, and experiment. In this study, indicators measured the religiosity that:

1. Using Sharia Banks is an obligation for Muslims
2. Performing Prayers and Sunnah are obligatory
3. Shalawat is constantly read or recited
4. Using Sharia Banks gives a sense of peace
5. Contents of the Al-Quran and Hadith are fully understood

Service quality is measured using indicators developed by Parasuraman (1988) i.e. Servqual was added with Carter's indicators from Othman and Owen (2001). Rajpoot (2004) added culture indicator in measuring service quality which makes the Pakserv model a measure of service quality. Thus, the indicators of service quality in this study are arranged with the following items:

1. Reliability i.e. the ability to provide services accurately;
2. Tangibles or physical evidence in the form of physical facilities, staff, equipment, buildings, appearance;
3. Responsiveness i.e. the willingness to help and respond to customer needs;
4. Empathy or attention i.e. individual attention and service provided to customers;
5. Assurance i.e. the ability of staff to inspire customers
6. Compliance with Islamic law (sharia)
7. Sincerity shown by how the customers feel for their sincerity in providing service to them.
8. Personalization related to the culture of respecting others, mentioning names, and paying attention.
9. Formality i.e. speaking politely and giving full attention.

In this study, Trust is defined as thoughts, feelings, emotions, or behaviours that occur when customers feel that product providers can be relied on to act in their best

interests. Meanwhile, Hoq et al. (2010) stated that trust in relation to Islamic banks is the belief that Islamic banking operation is carried out in accordance with Sharia requirements.

In the Malaysian context, Hoq et al. (2010) said that the level of confidence of Muslim customers is based on customer confidence that the Islamic Bank will fulfil its promises. In this case, when Islamic banks are operated based on Islamic Sharia, trust becomes a more important indicator in gaining customers. The indicators and items of trust in this study stated that:

1. Islamic banking fully focuses on Islamic sharia principles
2. Customers believe the products and services offered by Islamic banks are based on Islamic sharia principles
3. Customers believe that their savings in the Sharia Bank are safe

Meanwhile, Baumann et al. (2011) identified a loyal customer through the indicators of (a) repeat i.e. making repeat purchases or increasing savings in the future (share of wallet); (b) retention, which is not affected by goods or services offered by other banks; and (c) referrals i.e. telling positive things to other parties. Based on the dimensions of the loyalty of the researchers above, the indicators of customer loyalty in Islamic banks in this study measured are as follows:

1. Telling positive things of a Sharia Bank
2. Having the willingness to recommend their family to Islamic Bank
3. Continuing using Islamic banking

IV. Results and Discussion

4.1 Respondent Description

The respondents of this study were 120 customers of Islamic Banks in DKI Jakarta. The characteristics of the respondents consisted of gender, age, education, income, occupation, and ownership of other than Islamic Bank accounts listed in Table 2 as follows:

Table 2. Characteristics of Respondents

Respondent Characteristics		Total	Percent
Gender	Male	59	49.2
	Female	61	50.8
Age	< 25 years	3	2.5
	26 – 32 years	19	15.8
	33 – 40 years	44	36.7
	> 40 years	54	45.0
Education	SMA/SMK and its equivalent	6	5.0
	Diploma	4	3.3
	Bachelor	36	30.0
	Postgraduate	74	61.7
Income	< 5 million Rupiah	27	22.5
	5 – 10 million Rupiah	50	41.7
	10 – 15 million Rupiah	21	17.5
	>15 million Rupiah	22	18.3
Occupation	Civil Servant	30	25.0
	Private employee	25	20.8
	Professional	43	35.8
	Entrepreneur	11	9.2
	Others	11	9.2

Accounts other than Islamic Banks	Applicable	107	89.2
	Not applicable	13	10.8

Sources: Processed primary data (2020)

The characteristics of the respondents based on gender indicate that there was no significant difference between male (49.2%) and female (50.8%). Based on age, it appears that the majority of the respondents were over 40 years old, and based on education, most of them had a high level of education (undergraduate and postgraduate) of 91.7% so that they have a good understanding in Islamic banks.

4.2 Evaluation on the Measurement Model

The evaluation result on the measurement carried out by testing the validity and reliability of the instruments presented in table 3 below. From table 3, it can be seen that the measurement model has met the convergent validity. The loading factor of all variables studied was greater than 0.70. It means that all indicators are able to explain the latent variable with an average loading factor > 0.7 . The measurement model also has met the determinant validity because all AVEs were greater than 0.50. Likewise, the reliability criteria measured through the composite reliability and Cronbach Alpha values produced by all constructs were also very good i.e. > 0.70 so that they met the internal consistency reliability.

Table 3. Evaluation of the Measurement Model

Variables	Indicator/ Item	Validity		Reliability	
		Loading Factor	AVE	Composite Reliability	Cronbach Alpha
Religiosity	Rel1	0,748	0.817	0,897	0.864
	Rel2	0,809			
	Rel3	0,791			
	Rel4	0,615			
	Rel5	0,849			
	Rel6	0,808			
Service Quality	Sq1	0,846	0.721	0,954	0.944
	Sq2	0,822			
	Sq3	0,898			
	Sq4	0,935			
	Sq5	0,898			
	Sq6	0,745			
	Sq7	0,853			
	Sq8	0,781			
	Sq9	0,785			
Trust	Trs1	0,879	0.857	0,947	0.916
	Trs2	0,951			
	Trs3	0,945			
Loyalty	Loy1	0,899	0.834	0,938	0.901
	Loy2	0,933			
	Loy3	0,908			

4.3 Hypothesis Testing

The process of data analysis used of WarpPLS version 7.0 software, and the results are presented in a conceptual research framework model as in Figure 1, while the path coefficient of the relationship between variables is presented in Table 4.

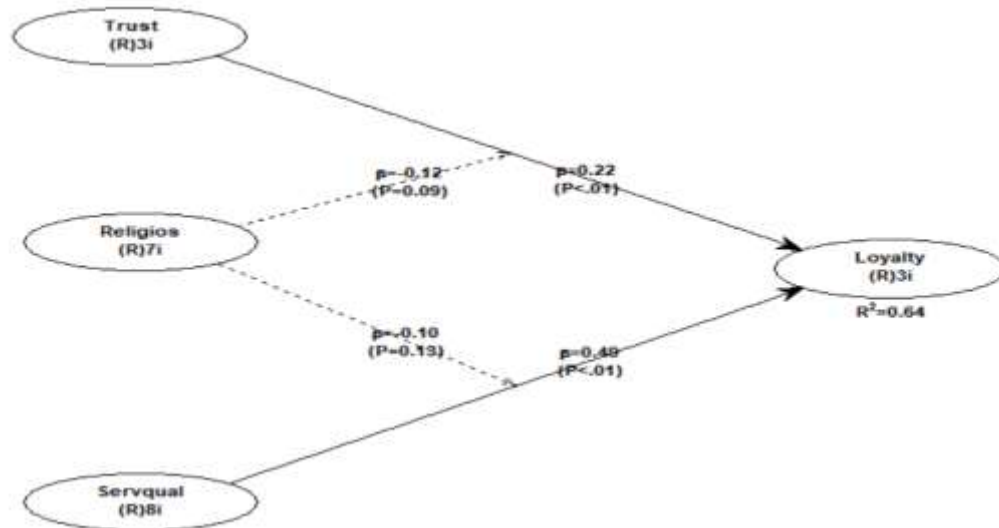


Figure 1. WarpPLS Results

Table 4. Direct Effects and Moderation

Direct Effects					Moderation Effects			
Exogen	Endogen	Coef	P Value	Info	Moderation	Coef	P Value	Info
Trust	Consumer	0.22	<0.01	Sig	Religiosity	0.12	0.09	No Sig
Service quality	Loyalty	0.40	<0.01	Sig		0.10	0.13	No Sig

Table 4 shows that there is sufficient evidence to accept hypothesis 1 stating that trust had a significant positive effect on customer loyalty because the p value <0.01 was smaller than 0.05, which was a significance value. Meanwhile, hypothesis 2 stating that service quality had a significant positive effect on customer loyalty was accepted because the p value <0.01 was smaller than the significance value of 0.05. Table 3 also shows that there is not enough evidence to state that hypotheses 3 and 4 were accepted. Religiosity is not able to mediate the effect of trust on customer loyalty because the p value was 0.09> from the significance value of 0.05. Religiosity is also unable to moderate the effect of service quality on customer loyalty because it had a sig value of 0.13 greater than 0.05 on this significant level.

4.4 Discussions

In this study, the effect of trust on loyalty was 0.22 with p <0.01. This shows that trust had a positive effect on loyalty. This finding implies that the more someone believes in Islamic banks, the more loyal they are to Islamic banks. The effect of trust on loyalty has been studied by several previous researchers, including Hoq et al. (2010); Butt and Aftab (2013); Wahyoedi (2017) who found that trust had a positive effect on loyalty even though the findings in this study are different from Sunaryo's research (2020) who stated that trust had no effect on customer loyalty in Islamic banks. However, this fact shows that the understanding of the Muslim community in Islamic banking products and systems is good.

The results of this study indicate that service quality had a positive and significant direct effect on customer loyalty of Bank Sharia. This finding is supported by Hartini and Meilani (2019) and Ahmed and Kanwal (2019) who stated that service quality had a significant effect on customer loyalty in Islamic banks. This indicates that sharia banks must be able to maintain and improve service quality, because it will have an impact on customers to decide to continue using the service and will further increase their loyalty to sharia banks. Furthermore, the findings of this study also confirmed the previous research which argued that service quality was an antecedent of loyalty (Meesala and Paul, 2018; Murali et al., 2016). The results of this study are also consistent with the previous studies conducted by Dkudiene et al. (2015) and Kian et al. (2013). The addition of compliance and cultural indicators in this study produced sharia bank service quality indicators that are unique in serving their customers. Sharia banking compliance with the principles of *bermuamalah* which have been regulated in the Al-Quran and Sunnah (compliance) makes it a special attraction for its customers. Furthermore, good service quality will help sharia bank customers meet their expectations, and this can be improved by providing good service quality.

The results of this study also indicate that religiosity was not able to moderate the effect of trust on customer loyalty of Islamic Banks, and religiosity was also unable to moderate the effect of service quality on customer loyalty of Islamic Banks. These findings indicate that the built trust is strong enough to determine the loyalty of Islamic Bank customers. Meanwhile, the quality of service that accommodates Islamic values is also felt to be reasonably strong as a determinant of customer loyalty for Islamic banks.

4.5 Limitation of the Study

The limitation in this study is the research frame Islamic marketing, and specifically Islamic marketing relationship. The elements of Islam (religiosity) are arranged in faith, sharia, and morals as indicators or measuring items in the variables. This research variable, less explored in this research. It boils down to the limited knowledge of researchers about Islam. Indonesia's affected conditions the corona virus pandemic 19 which carries out social distancing restrictions and physical distancing brings its own difficulties in obtaining additional the number of respondents and also the difficulty in confirming the results research through in-depth interviews with key informants.

V. Conclusion

Based on the findings in this study and the analysis carried out on the research findings in order to answer the research problem, a number of conclusions that can be drawn from this study are as follows:

1. Trust has a significant positive effect on loyalty. Thus, the more someone believes in Sharia banking products and systems, the more loyal they will be to Islamic banks.
2. Service quality affects customer loyalty of Islamic Banks indicating that the increasing quality of services provided by Sharia Banks can have an effect on increasing the loyalty of Sharia Bank customers.
3. Religiosity does not moderate the effect of trust on customer loyalty in Islamic Banks.
4. Religiosity does not moderate the effect of service quality on customer loyalty in Islamic Banks.

The study shows that the variables of trust and service quality have an effect on customer loyalty in Islamic banks. This shows that Sharia Banks must always make the public aware through continuous education to them on the products and services of Islamic

banking. Sharia bank products and services are in accordance with Islamic law and have been guaranteed by the sharia supervisory board existing in every Sharia Bank.

One novelty of this study is the use of service quality indicator that combined the Servqual, Carter, and Pakserv models. This indicator is well received by Sharia Bank customers. For this reason, it is suggested for further research to use the service quality indicators compiled in this study as a measure of the service quality of Islamic Banks. The quality indicators include the elements of compliance, personality, sincerity, and formality, and they are indicators appropriate for the Muslim community in Indonesia in addition to the Servqual indicator.

Meanwhile, this study found that the coefficient of determination (R square) of the endogenous variable of loyalty was 0.64, indicating that the variation of customer loyalty in Islamic banks can be explained by 64% of religiosity, service quality, trust, and satisfaction. The remaining 36% is explained by other variables not examined in this study. For this reason, further research is expected to elaborate other variables including the brand image of Islamic Banks.

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