INDONESIAN ISLAMIC BANK CREDIBILITY AND CUSTOMER LOYALTY: DOES CUSTOMER SATISFACTION REALLY SERVE AS A MEDIATOR VARIABLE?

Naufal Bachri
Department of Management Science, Universitas Malikussaleh, Indonesia

Widyana Verawaty Siregar*
Department of Management Science, Universitas Malikussaleh, Indonesia

Syamsul Bahri
Department of Management Science, Universitas Malikussaleh, Indonesia

Hamdiah
Department of Management Science, Universitas Malikussaleh, Indonesia

Sutan Febriansyah
Department of Economics, Sekolah Tinggi Ilmu Ekonomi (STIE) Bumi Persada, Indonesia

ABSTRACT

This research examined the influence of credibility on customer satisfaction and loyalty and to know whether the satisfaction mediated the credibility effects on customer loyalty of Islamic Banks in Indonesia or not. This study used primary data taken by distributing questionnaires to 280 respondents using a purposive sampling technique. The method of data analysis was Structural Equation Modelling (SEM) using Amos. The results indicated that the credibility of Indonesian Islamic banks significantly influenced customer satisfaction, Customer satisfaction significantly influenced customer loyalty, and Customer satisfaction could mediate the effect of credibility on customer loyalty. Then, credibility did not directly affect customer loyalty at Islamic banks but indirectly influenced customer loyalty. This research can be meaningful for universities to develop curricula, lecturers to develop teaching materials, students as references, Islamic banks to improve policies to increase customer loyalty, and central banks to develop regulations related to customers. Besides, in this research, the models of Islamic bank credibility, customer satisfaction, and loyalty were presented comprehensively and completely.

Keywords: Credibility, Satisfaction, Loyalty, Islamic bank.

Received: 12 January 2021
Accepted: 21 September 2022
https://doi.org/10.33736/ijbs.5196.2022

* Corresponding author: Department of Management Science, Universitas Malikussaleh, 24351, Indonesia, Tel no.: +62 85362761002, Email: widyana.verawaty@unimal.ac.id.
1. INTRODUCTION

The study of loyalty has been widely discussed by previous researchers. Loyalty can be shaped by customer commitment (van Vuuren et al., 2012; Haghkhah et al., 2013; Tu et al., 2014; Lariviere et al., 2014) and customer value (Ghorban & Tahernejad, 2012). Loyalty is the high satisfaction results and makes customers willing to buyback. Satisfaction is a substantial element in realizing loyalty (Keisidou et al., 2013; Matthews, 2012; Karim, 2012). Satisfied customers can voluntarily promote products to their colleagues (Bachri, 2018). It helps the company in carrying out its marketing duties.

Not only satisfaction can increase customer loyalty, but also company credibility (Ali et al., 2021; Osakwe et al., 2021; Kemp & Bui, 2011; Ghorban, 2012, Careras et al., 2013). Credibility means the ability, knowledge, and attractiveness of a company to attract prospective customers and retain existing customers. Also, credibility can be an element that mediates the relationship between corporate social responsibility and customer loyalty (Islam et al., 2020; Osakwe & Yusuf, 2021). Credibility is a signal to influence customers (Ghorban & Tahernejad, 2012). Credible companies can increase customer commitment to have word of mouth. Corporate credibility is a substantial element in Islamic banking companies (Bachri et al., 2016). Credibility has been suggested in the world of Islamic banking studies (Butt & Aftab, 2013).

Today, Islamic banks are prestigious banks that show remarkable developments (Rizwan et al., 2014). The bank is not only interested in Muslims but also non-Muslims (Khan et al., 2011). Islamic banks in Indonesia experience slower growth compared to the six Countries of Rapid-Growth Market (Ernst & Young, 2016). It is due to the minimal variation in Islamic Bank financing and the lack of efficiency of Islamic banks in carrying out operational activities (Syafrida & Aminah, 2015). From several previous research studies and issues concerning Islamic banks, a review needs to be conducted involving variables of credibility, customer satisfaction, and customer loyalty in an integrated model.

2. LITERATURE REVIEW

2.1. Company Credibility

Credibility is a concept where consumers believe that the company can design and deliver products and services that can satisfy the needs and desires of consumers (Keller & Aaker, 1998). Credibility is the optimal power that can change the attitudes, opinions, and perceptions of customers (Cangara, 2007), and Credibility can be formed from quality experience (Kumar & Polonsky, 2019). Credible information can influence beliefs, opinions, attitudes, and behaviors towards recipients of information (Belch & Belch, 2012). It is part of the concept of trust and a sub-process of the reputation of a company (Adams & Mehran, 2008). Credibility can influence behavior and increase value for stakeholders (Careras et al., 2013). Company credibility is one aspect of the company's reputation that is considered influential for the company's success (Newell & Goldsmith, 2001). Company credibility “berpengaruh signifikan terhadap kepuasan pelanggan” (Filieri et al., 2021; Monoarfa et al., 2020; Othman et al., 2017).

Components of credibility (Keller & Aaker, 1998) consist of; (1) Reliability/trustworthiness is the level at which an object is considered a trusted source of information, products, and services; (2)
Expertise is the level at which an object has relevant knowledge and skills; (3) Attractiveness is the level at which an object is measured by sympathetic behavior, ambition, intelligence, and other characteristics. Besides, credibility can produce growth and profits (Zhang & Rezaee, 2009; Goldsmith et al., 2000). Company credibility has a relationship between customer satisfaction and loyalty (Ghorban & Tahernejad, 2012; Sallam, 2014). Thus, credibility is a primary driver in changing potential customers’ perceptions (Kemp & Bui, 2011; Careras et al., 2013).

2.2. Customer Satisfaction

Satisfying customers means the company makes a profit (Wang et al., 2021; Bhattacharya et al., 2021; Ghorban & Tahernejad, 2012; Cheng et al., 2011; Chae, 2009). Customer satisfaction is an important indicator of business performance (Otto et al., 2020; Wei et al., 2020; Sandada, 2013). Customer satisfaction is critical for banks to remain competitive because customers are the primary source of income for the organization (Ali et al., 2020; Saad, 2012). True customer satisfaction is the satisfaction that continues to be customer loyalty, which results in greater sales volume, more productive assets, and a higher return on investment (Nicod et al., 2020; Hasan, 2009). Customer satisfaction has several relationships. Satisfaction is positively and significantly related to customer loyalty (Slack et al., 2020; Raza et al., 2020; Islam et al., 2020; Zeithaml et al., 2009; Karim, 2012; Ghorban & Tahernejad, 2012). Besides, satisfaction can increase customer commitment (Alketbi et al., 2020; Iglesias et al., 2019).

Customer satisfaction is often suggested to be the main determining factor of customer loyalty (Slack et al., 2020; Raza et al., 2020; Abror et al., 2020; Lam & Burton, 2006). There is a positive and significant relationship between satisfaction with customer loyalty (Islam et al., 2020; Masudin et al., 2020; Deng et al., 2010; Auka, 2012). Customer satisfaction positively and significantly influenced organizational performance (Matthews, 2012; Ghorban & Tahernejad, 2012). Sharia bank profits can be created from satisfied customers, directly or indirectly (Karim, 2012). There are seven indicators of customer satisfaction of Islamic banking: (1) service efficiency; (2) employee friendliness; (3) employee competency; (4) availability of parking spaces; (5) physical facilities; (6) strategic locations; and (7) ease of public transportation (Saad, 2012).

2.3. Customer Loyalty

Companies that can survive in the fierce business competition can increase customer loyalty on an ongoing basis. Loyalty is conceptualized as a combination of customer attitudes that are happy with the service and wish to repurchase the service (Oliver et al., 1997; Wu, 2015; Esmaeili et al., 2021). Loyalitas konsumen dibentuk dari perilaku perusahaan yang beretika (Wijaya et al., 2021). Some companies identify customer loyalty as a guarantee of short-term and long-term benefits (Nobar & Rostamzadeh, 2018; Alavijeh et al., 2018; Goutam & Gopalakrishna, 2018; Myo et al., 2019).

There are five indicators of customer loyalty in the Islamic finance industry, namely: (1) customers will maintain and follow applicable regulations, (2) Customers will continue to use the product at the company even though other companies offer more profitable products, (3) Despite the price products increase, the company is still the first choice, (4) when customers need other products/services, this company is the best, (5) when customers continue to extend the use of products/services, customers will continue to use products/services at this company for the next
period (Hassan et al., 2014). Loyalty consists of cognitive loyalty, which is the ability to assess banks. In this condition, the customer knows the right time to choose a bank and can judge that the bank has excellent ability. Affective loyalty is the customer's perception of services and facilities and likes all the activities carried out by the bank. Conative loyalty is the customer's perception of sustainability in using the bank, and the final act of loyalty is a real action to realize loyalty (Oliver et al., 1997).

2.4. Hypotheses and Proposed Model

This study investigated four hypotheses as follows:

1. Hypothesis 1 (H1): Credibility affects significantly on customer loyalty.
3. Hypothesis 3 (H3): Customer satisfaction affects significantly on customer loyalty.
4. Hypothesis 4 (H4): Credibility affects significantly on customer loyalty through customer satisfaction as a mediator variable.

Therefore, we use the model of the hypotheses’ tests in the following research framework:

![Figure 1: Research Framework](image)

Hypotheses and frameworks can be developed by involving the variables of credibility, satisfaction, and customer loyalty. Aceh is one of the provinces in Indonesia that implements an Islamic sharia-based banking system, so the credibility variable is an important variable. In addition, credibility is substantial for new customers and existing customers in improving the performance of Islamic banking. Credibility can have a direct effect on customer loyalty (Ali et al., 2021; Osakwe & Yusuf, 2021; Islam et al., 2020). Also, credibility can affect loyalty through customer satisfaction (Filieri et al., 2021; Monoarfa et al., 2020; Rifi & Mostafa, 2022; Othman et al., 2017).
3. METHODOLOGY

In analyzing the relationship between credibility and customer loyalty, this research used 280 customers of Islamic banks as the respondents by using the purposive sampling technique. The purposive sampling technique refers to collecting sample techniques based on particular characteristics, such as their minimum age of 18 years old, having been the customer at least for one year, and having more than three transactions within the last three months. The data was collected by distributing the structured questionnaires from May to July 2019.

In measuring credibility, this research adopted and adapted the work of Keller and Aaker (1998), which has three dimensions; reliability/trustworthiness, expertise, and attractiveness, and were measured in eleven indicators. Meanwhile, to measure customer loyalty, this research adopted and adapted the work of Oliver et al. (1997), which has four dimensions; cognitive loyalty, affective loyalty, conative loyalty, and action loyalty, and were quantified in eight indicators. It used seven indicators to measure customer satisfaction (Saad, 2012). The measurement scales used are five-point Likert, ranging from 1 (strongly disagree) to 5 (strongly agree).

Hypotheses were tested using Structural Equation Model (SEM) with AMOS. Before examining the data using SEM AMOS, this study tested the reliability and validity of construct/indicators. For the constructs of credibility, customer satisfaction, and customer loyalty, all items had values more than 0.334 (the value for df = 33, α < 0.05). It indicated that all the items used to measure credibility, customer satisfaction, and customer loyalty were valid. The sample item for credibility is “Islamic bank employees are pleasant.” The sample item for customer loyalty is “Islamic bank customers are willing to provide positive information to others.” Also, the sample item form customer satisfaction is “Customers are satisfied with friendly service.” Meanwhile, the values of Cronbach's alpha for credibility, customer satisfaction, and customer loyalty were 0.903, 0.808, and 0.772. Therefore, it concluded that all constructs used in this study were reliable.

4. RESULTS AND DISCUSSIONS

4.1. Demography

A total of 300 questionnaires were distributed to customers, but only 280 samples could be used (93.3 percent of response level). In the case of genders, men were more dominant than women (65.4 percent). The most dominant age was 41-50 years old (38.5 percent) due to its productive age for carrying out activities (Arum, 2019). The most dominant professions were entrepreneurs (27.8 percent) as follows:

<table>
<thead>
<tr>
<th>Table 1: Respondents’ Profiles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profiles</td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Men</td>
</tr>
<tr>
<td>Women</td>
</tr>
<tr>
<td>Age (years old)</td>
</tr>
<tr>
<td>18-20</td>
</tr>
<tr>
<td>21-30</td>
</tr>
</tbody>
</table>
In Indonesian Islamic Bank Credibility and Customer Loyalty: Does Customer Satisfaction Really Serve as a Mediator Variable?

Table 1: continued

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-40</td>
<td>85</td>
<td>30.4</td>
</tr>
<tr>
<td>41-50</td>
<td>108</td>
<td>38.5</td>
</tr>
<tr>
<td>More than 50</td>
<td>35</td>
<td>12.5</td>
</tr>
</tbody>
</table>

**Occupations**

- Civil Servant/ Government: 56, 20.0%
- Private workers: 37, 13.2%
- Lecturers/ teachers: 49, 17.5%
- Police/ Indonesian Army: 17, 6.1%
- Entrepreneurs: 78, 27.8%
- University Students/ students: 28, 10.0%
- Others: 15, 5.4%

4.2. Results

Assumption Test for SEM. In this research, data were distributed normally proven by the value of the critical ratio for skew and kurtosis. Those values in the critical ratio for skew and kurtosis were in the range between -2.580 and +2.580 (Hair et al. 2009). It was no outlier data because the values for Mahalanobis distance ($\rho_1$ and $\rho_2$) were less than 0.05.

Structural Equation Modelling. The measurement model test was conducted to know the accuracy of all combined constructs. It was based on the Goodness of Fit Test criteria; the value of Goodness of Fit Index, Adjusted Goodness of Fit Test, Tucker-Lewis Index, Comparative Fit Index, Root Mean Square Error of Approximation, CMIN, and P-Value (Hair et al., 2009). The measurement model indices reveal that the proposed model is fit and parsimony. It appears in Table 2.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Cut Off</th>
<th>Results</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>-</td>
<td>164.22</td>
<td>Good</td>
</tr>
<tr>
<td>The Degree of Freedom</td>
<td>-</td>
<td>138</td>
<td>Good</td>
</tr>
<tr>
<td>The Goodness of Fit Index (GFI)</td>
<td>≥ 0.90</td>
<td>0.943</td>
<td>Good</td>
</tr>
<tr>
<td>Adjusted Goodness of Fit Index (AGFI)</td>
<td>≥ 0.90</td>
<td>0.922</td>
<td>Good</td>
</tr>
<tr>
<td>Tucker Lewis Index (TLI)</td>
<td>≥ 0.95</td>
<td>0.986</td>
<td>Good</td>
</tr>
<tr>
<td>Comparative Fit Index (CFI)</td>
<td>≥ 0.95</td>
<td>0.988</td>
<td>Good</td>
</tr>
<tr>
<td>Root Mean Square Error of Approximation (RMSEA)</td>
<td>≤ 0.08</td>
<td>0.026</td>
<td>Good</td>
</tr>
<tr>
<td>CMIN</td>
<td>≤ 2.00</td>
<td>1.190</td>
<td>Good</td>
</tr>
<tr>
<td>P-Value</td>
<td>≥ 0.05</td>
<td>0.063</td>
<td>Good</td>
</tr>
</tbody>
</table>

Thus, all variables were measured in the proposed model. The results were viewed in Figure 2.
4.3. Discussions

The result of the first hypothesis test showed that credibility did not affect customer loyalty ($\beta = 0.08$, Prob. $> 0.10$), and it was in line with the studies of Maliyah (2015) and Inglis et al. (2006). Customers still have doubts about the sharia system carried out by banks. Islamic banks in Indonesia have a dual window system, namely conventional and sharia. Customers perceive transactions carried out by Islamic banks as mixed with conventional bank transactions. It means that Islamic banks do not run their business perfectly. In addition to the system, Islamic banks have predominantly young employees and are lack experience in serving customers (Triansyah, 2021; Illahi, 2019). The credibility of a company can be an important variable in changing attitudes, opinions, and customer behavior (Ghorban & Tahernejad, 2012). Changes in customer attitudes, opinions, and behavior in a positive direction can improve organizational performance in the long run (Fombrun & van Riel, 1997; Bachri, 2018).

The second hypothesis test revealed that credibility significantly affected customer satisfaction ($\beta = 0.76$, Prob. $< 0.01$). It is in line with Ballentine (2006) and Ghorban and Tahernejad (2012). A credible company increases customer satisfaction. Islamic bank customers are satisfied with the products and services offered. Islamic bank products are more diverse than conventional banks, and employees of Islamic banks have the ability, care, sincerity, and consistency in delivering products and services. Employee competency is a substantial asset in supporting organizational success (Zeithaml et al., 2009; Bachri et al., 2016).

The third hypothesis test showed that customer satisfaction significantly affected customer loyalty ($\beta = 0.67$, Prob. $< 0.01$). This finding is in line with the studies of Amin et al. (2013); Alonso (2000); and Akarapanich (2006). Satisfied customers will often conduct banking transactions and use more than one type of product. Customers will last longer if satisfied (Bachri, 2018; Keller & Aaker, 1998). Customer satisfaction can reduce price elasticity, make it difficult for competitors to attract customers, and reduce costs and time to transact (Anderson & Weitz, 1992). Besides, banks will have high confidence and be proud to compete. Customer satisfaction is the key to long-term business success (Wills, 2009).
The final hypothesis test demonstrated customer satisfaction as a mediator variable. The indirect effect of credibility on customer loyalty through customer satisfaction was 0.51 (0.76 x 0.67). This indirect effect was higher than the direct effect (0.08). In the Islamic bank industry context, customer loyalty is not directly affected by Islamic bank credibility. Islamic banks must be customer-oriented by increasing employee competence and front-line knowledge about Islamic systems and products. Thus, banks must carry out customer-oriented strategies, and the success of a service company is to focus on customers.

4.4. Managerial Implications

There are several practical implications of this research. Islamic banks must focus more on customers than on profits. To improve the experience of young employees, banks must provide training or include employees in training with the Islamic-based curriculum. Islamic banks should upgrade their information technology systems to strengthen partnerships between banks and customers and make it easier for customers to transact. However, these efforts are undertaken to increase satisfaction and customer loyalty.

5. Conclusions

This empirical study examined the effect of credibility on customer loyalty through customer satisfaction of Islamic banks and confirmed that credibility did not directly affect customer loyalty. The researcher argued that Islamic banks are more oriented toward bank profits. Islamic banks must return to their goals and be oriented towards social interests (Nor et al., 2016). Islamic banks should focus more on customers by improving service quality so that Islamic banks can improve performance and profitability.

This research reaffirms the importance of customer satisfaction that satisfied customers will stay loyal to the bank and convey a positive word of mouth to use Islamic products. Therefore, banks need to improve competence and upgrade information technology to increase customer satisfaction and loyalty.

Also, this research was limited because it only used three variables; credibility of Islamic banks, customer satisfaction, and customer loyalty as valuable contributions to the academic and banking world. The next researcher should use variables related to information technology to improve customer-focused services.

REFERENCES


commitment of online MBA students versus traditional MBA students [Unpublished doctoral dissertation]. Nova Southeastern University.


https://doi.org/10.33736/ijbs.3262.2020
Saad, N. M. (2012). Comparative analysis of customer satisfaction on Islamic and conventional
banks in Malaysia. *Asian Social Science, 8*(1), 73-80. https://doi.org/10.5539/ass.v8n1p73


