

Satisfaction, Religiosity Commitment, and Nisbah Perception as Predictors of Customer Loyalty in Islamic Banking: Evidence from Indonesia

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Abstract. This study investigates the determinants of customer loyalty in Islamic banking, focusing on the roles of customer satisfaction, religiosity commitment, and perception of nisbah (return rates). Drawing on data from 212 priority customers of Bank Syariah Indonesia (BSI), the largest Islamic bank in Indonesia, the authors develop and test a conceptual model using Structural Equation Modeling (SEM) - Partial Least Squares (PLS). The findings indicate that customer satisfaction and religiosity commitment have significant positive effects on customer loyalty, with religiosity commitment partially mediating the relationship between satisfaction and loyalty. Additionally, perception of nisbah moderates the relationship between religiosity commitment and loyalty. The study contributes to the literature by highlighting the unique factors influencing loyalty in Islamic banking and offering practical implications for Islamic banks in developing specialized products and services for priority customers. However, the generalizability of the findings may be limited by the focus on a single bank and the cross-sectional nature of the data.

Keywords: customer satisfaction, loyalty, religiosity commitment, profit orientation, nisbah, islamic banks

1. Introduction

Indonesia, with the world's largest Muslim population, offers significant potential for the growth of Sharia-based financial industries. The majority of the country's population practices Islam, creating a promising market for the expansion of Islamic banking. According to data from the Central Statistics Agency (Badan Pusat Statistik, BPS) in 2022, Indonesia had approximately 241 million Muslims, amounting 87.02% of the total population. This vast Muslim demographic provides a robust foundation for the development of Islamic banking, which operates on the principle of universality, serving both Muslim and non-Muslim clients.

However, the substantial Muslim population in Indonesia has not translated into a proportional market share for Islamic banks. Despite having the world's largest Muslim population, research by Aisyah (2018) revealed that Indonesia's Islamic banking market ranked 10th globally. Data from the Financial Services Authority (OJK) in 2022 indicated that the market share of Islamic banking as of August 2022 was 7.03%. Although this represented an increase, there remained a significant disparity between the market shares of conventional and Islamic banking. The intensifying global competition has compelled banks to prioritize customer loyalty as a crucial tool for gaining a competitive advantage (Zameer et al. 2015). Within the banking industry, where competition for the same customer segments is fierce, cultivating customer satisfaction is important, especially considering various studies emphasize the significance of customer satisfaction as a crucial predictor of loyalty (see Amin et al., 2013; Fraering and S. Minor, 2013; Gong and Yi, 2018; Supriyanto et al., 2021).

Studies have explored how to achieve customer satisfaction to cultivate loyalty. According to Pakurár et al. (2019), customer satisfaction in the banking industry is influenced by both tangible and intangible factors. Tangible aspects, such as digital banking innovations improving transaction speed and convenience, contribute to satisfaction, along with intangible factors like the competence of the bank's workforce, including responsiveness, reliability, and empathy. However, recent research indicates that Islamic banking introduces religiosity as a crucial factor shaping customer preferences and ensuring the interests of Islamic banks (Kashif et al. 2015). Customer motivation to use Islamic banks is driven by religious faith rather than financial returns or product profitability (Uysal and Okumuş 2019). Obeid and Kaabchi (2016) highlight the significance of religious commitment, knowledge about Islamic finance, and alignment with consumer values and lifestyles as determinants of customer satisfaction and bank choice. Recognizing the significance of religiosity to enhance customer satisfaction can help banks design suitable products and services, such as incorporating religious aspects into their services or offering additional religious-based products like Zakah (Islamic based charity) and Islamic pilgrimage, Hajj and Umrah. However, empirical studies on the role of religiosity in the relationship between customer satisfaction and loyalty in the Indonesian context are lacking, emphasizing the need for further research.

Furthermore, loyalty within the banking industry is notably influenced by the anticipated profitability derived from being a customer (Pan and Ha 2019). Conventional banks often discuss this in terms of the impact of interest rates. In Indonesian Islamic banks, the concept of "nisbah" is employed as a benchmark for determining returns on their products, stemming from the principle of revenue-sharing. The nisbah represents the percentage of revenue to be obtained by both the customer and the bank, determined through mutual agreement (Sumarti et al. 2020). While both mechanisms aim to calculate customer returns, the returns using nisbah system and interest rate calculations differ in Indonesian banks; notably, while returns using interest rates are predetermined, returns using nisbah system are variable and depend on the bank's performance. Despite the universal motive of profit maximization across industries, the role of customer perception regarding returns in Islamic banks is still under question as customers perhaps prioritize religious considerations over profit-seeking motives. Understanding the significance of customer perception of the return is particularly crucial in designing products for priority customers, especially since this customer segment currently enjoy higher

percentage of return, termed "special nisbah."

This study primarily aims to investigate the relationship between customer satisfaction and customer loyalty, while also exploring the extent to which religiosity commitment and customer perception of nisbah, a revenue-sharing system in Indonesia's Islamic banks, influence the customer satisfaction-loyalty relationship. The research employs Structural Equation Modeling (SEM) - Partial Least Squares (PLS) and focuses on 212 priority customers of Bank Syariah Indonesia (BSI), the largest Islamic bank in Indonesia's market. The selection of only priority customers is based on their substantial financial resources, which their loyalty significantly impacts to the bank. Additionally, focusing solely on priority customers helps to minimize unobserved bias, as this group exhibits greater homogeneity in terms of maturity and wealth.

This study offers significant contributions to bank management and existing research on various ways. Firstly, it introduces the role of religiosity in shaping customer commitment, a dimension rarely explored but highly relevant within the context of Islamic banking. Secondly, the study only focuses on priority customers, given their substantial contribution to the performance of Islamic banks. This focused examination enables the study's findings to be directly applicable, potentially facilitating the development of special products or treatments tailored for priority customers as well as minimizing biases inherent in more heterogeneous customer segments. This approach different from previous loyalty studies, which often encompassed a broader customer base (see Boonlertvanich, 2019; Hoang, 2019; Kashif et al., 2015; Thaker et al., 2020). Lastly, understanding the roles of religiosity and perception of nisbah is important for driving innovation in product and service development aligned with customer needs. By identifying the influence of religiosity on priority customer loyalty, banks can consider the development of non-financial products based on religious aspect, such as Hajj and Umrah services, Zakah and Infaq facilities, and Waqf-based products, thereby capitalizing on opportunities to offer Sharia products. Simultaneously, by assessing the influence of customer perceptions of profitability on loyalty, banks can determine the efficacy of products like special nisbah percentage in fostering loyalty among priority customers, guiding strategic decisions aimed at enhancing customer retention and satisfaction.

In the following sections, we discuss the literature review and hypotheses formulated for the model, the data and methodology used, the results and discussion, concluding with recommendations for future research.

2. Literature Review and Hypothesis Development

2.1. The Influence of Customer Satisfaction on Customer Loyalty

Dick and Basu (1994) proposed a loyalty model that highlights three dimensions shaping an individual's loyalty: cognitive, affective, and conative factors. These dimensions has been used in many studies to explain loyalty in the context of consumer behavior (Li, Yen, and Liu 2020; Ahn and Back 2018; Lim and Kim 2020). Within this model, the cognitive dimension relates to behaviors linked to product or brand characteristics. Specifically, one element of the cognitive dimension, as explained by Dick and Basu, is an individual's trust in a specific product. In the context of Islamic banking, Sharia-compliant banking products and services adhere to Islamic principles such as revenue-sharing system and agreements made between parties. Ensuring compliance with Islamic principles and regulations is highly important to customer trust (Tabrani, Amin, and Nizam 2018). In Indonesia, these Islamic financial services are even supervised by Shariah Supervisory Boards to ensure compliance to the Islamic rule.

On the other hand, the conative dimension is associated with incurred expenses, encompassing the level of profits obtained. In Indonesia Islamic banking, the return for customer is based on the nisbah system which is a percentage of revenue-sharing from bank revenue. Unlike conventional banks, Islamic financial institutions offer products operating on a nisbah system. The nisbah percentage is

established through a contractual agreement between the bank and the customer (Sumarti et al. 2020). The actual amount of revenue disbursed to customers each month is not fixed but varies based on the bank's performance.

The final dimension, the affective aspect, is centered around the emotions experienced by an individual, encompassing feelings, mood, and overall satisfaction. This dimension forms the crucial link between customer satisfaction and loyalty. Customer satisfaction itself is the feeling of contentment experienced when a customer's expectations regarding a product or service are met (Suhartanto 2019). It involves customers' evaluation of a product or service to assess whether it fulfills their needs and expectations (Sobari, Kurniati, and Usman 2022). Satisfaction can also be defined as the sense of happiness a customer feels when their expectations are met by a service provider (Kashif et al. 2015). An empirical study conducted by Amin et al. (2013) underscores that customer satisfaction is a vital variable and an early indicator of loyalty. Satisfied customers are more likely to make repeat purchases and share their positive experiences with the brand and its services with others (Erciş et al. 2012). Consequently, if customers are dissatisfied, there is a high probability of them switching brands and expressing complaints about the product and the company.

In the banking industry, customer satisfaction is closely tied to the convenience experienced by customers during their transactions at the bank. Several factors might contribute to satisfaction in Banking industry, include the competence of bank employees, their readiness to address issues, and the bank's continuous promotion and communication of innovations. Discussing its relationship with loyalty, several empirical studies have concluded that satisfaction with a brand lead to customer loyalty. For instance, research conducted by Sobari et al. (2019) in the halal service industry demonstrated that satisfaction influences the loyal attitude of customers. Additionally, in empirical studies within the banking sector, research by Makanyeza and Chikazhe (2017) indicated that customer satisfaction variables influence customer loyalty. Findings from studies by Feiz and Moradi (2019), Kashif et al. (2015), and Wu et al. (2019) in the Islamic banking industry also demonstrated that customer satisfaction significantly affects loyalty. Other research, such as that by Kamath et al. (2019), Amin et al. (2013), Al-Wugayan (2019), Asnawi et al. (2019), Abror et al. (2019) and Kaur & Soch (2018), revealed that the level of customer satisfaction impacts customer loyalty. To conclude, the initial hypothesis suggests that customer satisfaction plays a significant role in influencing loyalty within the the service sectors, including Islamic banking services.

Hypothesis 1 (H1): Customer Satisfaction has a positive influence on Customer Loyalty.

2.2. Religiosity Commitment as a Mediator

Commitment is a psychological state shaped by an individual's perceptions, beliefs, and emotions, fostering the willingness and intent to establish and sustain a stable, enduring relationship (Rusbult, Agnew, and Arriaga 2011). According to the organizational commitment theory, customer commitment comprises three elements: affective, calculative, and normative (Sumaedi, Juniarti, and Bakti 2015). Affective commitment represents the emotional bond between customers and service providers. This emotional connection arises from positive feelings, happiness, shared experiences, and relational ownership (Čater and Čater 2010). Calculative commitment stems from customers' rational assessments rather than emotional factors (Čater and Čater 2010). Normative commitment is defined by the extent to which customers are normatively obligated to uphold the relationship due to a sense of duty (Fullerton 2011). These three commitments play a pivotal role in customers' decision-making processes when choosing products and services and in fostering loyalty (Mathras et al. 2016).

In the context of banking, customer satisfaction with the competence of bank employees, innovations, and the financial benefits provided by the bank fosters both affective and calculative commitments among customers. However, in the Islamic banking, it becomes essential to consider normative commitment. This form of commitment acts as the foundation for upholding the values and teachings mandated as obligations in Islamic faith, as explained by Fullerton (2011). Normative

commitment is intricately linked to social norms, an individual's moral obligations, and the responsibilities one party has towards another in a relationship.

Normative commitment gains immense significance in Islamic banking due to its unique nature. Islamic banks not only establish profit-based financial relationships with customers but also integrate religious values. These values enable customers to fulfill their religious duties, alleviating any guilt associated with neglecting their obligations. This perspective harmonizes with the religious beliefs of customers, enhancing their commitment to the bank. Empirical studies, such as the one conducted by Suhartanto (2019), underscore that religiosity directly impacts customer loyalty in the context of Islamic banks.

While numerous studies have underscored the significant role of religiosity in shaping the relationship between customer satisfaction and loyalty, empirical assessments of this studies are notably lacking in Indonesia, even more within the segment of priority customers. Customer satisfaction may be partially mediated by religious commitment, suggesting that factors beyond religiosity also contribute to bridging the link between customer satisfaction and loyalty, as indicated by previous research findings. Alternatively, it may be fully mediated by religiosity, implying that customer satisfaction leads to loyalty solely through religious beliefs. This potential finding holds strategic importance for banks, as it suggests that focusing on meeting the religious needs of customers could be instrumental in fostering loyalty. However, it's also plausible that religiosity may not serve as a mediator. Nonetheless, drawing from previous studies, the religious commitment of customers could indeed act as a mediating factor between customer satisfaction and loyalty in Islamic banking, both for priority and general customer (Obeid and Kaabachi 2016). This not only reflects customer contentment but also signifies the alignment of the bank's services with the religious beliefs of its customers, thereby strengthening loyalty and long term relationship with the Islamic bank.

Hypothesis 2 (H2): Customer Satisfaction has a positive influence on Customer Religiosity Commitment.

Hypothesis 3 (H3): Customer Religiosity Commitment has a positive influence on Customer Loyalty.

Hypothesis 4 (H4): Customer Religiosity Commitment serves as a positive mediating factor between Customer Satisfaction and Customer Loyalty.

2.3. Nisbah Perception as Moderator

Perception involves the process of organizing, recognizing, and interpreting elements within one's environment (Goldstein 2018). It encompasses the impressions formed through seeing, observing, and experiencing different aspects. According to consumer situation theory in banking industry, changes in consumer awareness, especially related to interest rates, can significantly impact the relationship between customer orientation and loyalty (Pan and Ha 2019). The bond between customers and their loyalty hinges on their awareness of the benefits derived from bank interest rates and how this perception shifts with changes.

In an empirical study conducted by Pan and Ha (2019), the focus was on understanding customers' perceptions of bank interest rates. They found that the perception of profit gained in the future plays as a moderating variable connecting customer commitment and loyalty. While customer commitment serves as a key role in the loyalty, customer decision to have long term relationship with bank is also depends on the expected profit in the future.

As in Islamic banking interest-based principles are not applied, we then interpreted the perception of interest rates as the benefits customers derive from their funds deposited in Islamic banks, represented in the form of bank nisbah. This is particularly relevant among priority customers who are likely to prioritize profit when considering where to invest their significant sums of long-term savings above other factors. Adopting this finding, this study assumes that perception of return gained is a moderating

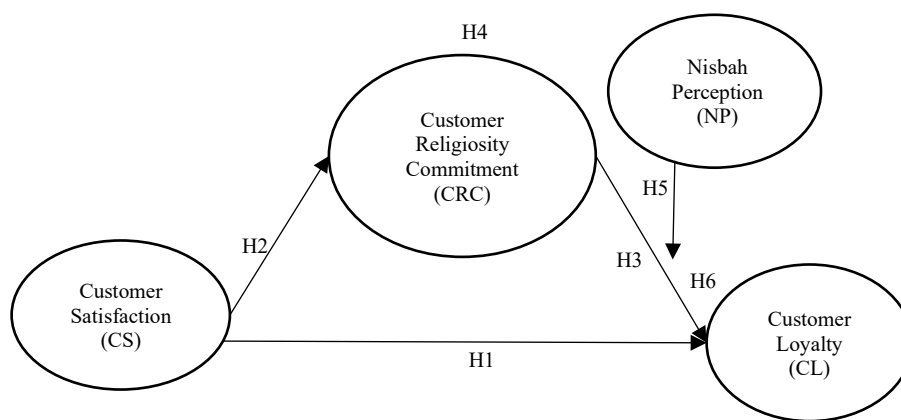
factor between commitment and loyalty, even in Islamic Bank.

Hypothesis 5 (H5): Nisbah perception serves as a positive moderating factor between Customer Religiosity Commitment and Customer Loyalty.

Hypothesis 6 (H6): Nisbah perception has positive influence on Customer Loyalty

2.4. Research Model

The primary objective of this study is to investigate the connections between customer satisfaction, customer loyalty, religious commitment, and the perception of nisbah in Islamic banks. Building upon the theoretical and empirical studies outlined in previous chapter, six hypotheses have been formulated. The first hypothesis posits a positive relationship between customer satisfaction and customer loyalty, with this relationship being mediated by religiosity commitment. Additionally, the perception of the nisbah serves as a moderating factor, influencing the connection between religiosity commitment and customer loyalty in Islamic banks. Consequently, the research model has been developed, as depicted



in Figure 1.

Fig 1. Research Model

3. Research Methods

3.1. Data and Sampling Technique

The study was conducted at Bank Syariah Indonesia (BSI) during the period from September to December 2021. We choose Bank Syariah Indonesia as it stands as Indonesia's largest Islamic bank, a result of the amalgamation of three major Islamic banks: Bank Syariah Mandiri (BSM), Bank Negara Indonesia (BNI) Syariah, and Bank Rakyat Indonesia (BRI) Syariah. BSI is highly representative in depicting the landscape of Islamic banking in Indonesia given its substantial assets totalling 370 trillion IDR, making it the largest Islamic bank in Indonesia and ranking sixth in the national banking sector, with only conventional banks holding higher positions. Meanwhile, other Islamic banks have assets below 70 trillion IDR (Bank Syariah Indonesia 2022). Furthermore, Bank Syariah Indonesia offers a Priority Service Counter, catering to special services and facilities for priority customers. This feature facilitated data collection from these priority customers, which will be the main subject from this study. We exclusively choose only priority customers due to their high significance within the bank. Their substantial value and influence make them the ideal subjects for our study on customer loyalty. We distributed the questionnaire via the priority customer counter to ensure that the respondents were indeed priority customers.

The selection criteria for participants in this study require them to have been priority customers within the last 6 months, indicating that they must possess a minimum of 2 fund products, specifically saving and time deposit account, as well as maintain a portfolio of at least IDR 500 million. The study focuses on priority customers in the DKI Jakarta, Bogor, Depok, Tangerang, and Bekasi regions

(Jabodetabek), the metropolitan areas surrounding the capital city of Indonesia. To establish a representative sample, purposive sampling was conducted based on the proportion of the population of priority customers in each region, using data from BSI. We applied the Slovin method, considering the total population size to be 12,196 priority customers of BSI in the Jakarta region in 2022 based on the internal report of BSI. The formula for calculating the research sample size using the Slovin method is as follows:

$$n = \frac{N}{1+N(e^2)} \quad (1)$$

Where n depicts sample size, N depicts total number population, and e depicts error margin. For this research, an error margin of 8% is applied. Following the calculation, the determined sample size is 211.72, rounded up to 212 individuals. The characteristics of the respondents are outlined in Table 1.

Table 1. Characteristics of Respondents

Characteristics	Number of Respondents	Percentage (%)
Age		
26-35	6	3.0
35-55	74	35.0
> 55	131	62.0
Gender		
Male	90	42.5
Female	122	57.6
Education		
High School	13	6.0
Diploma	25	12.0
Bachelor	108	51.0
Master or Doctoral	66	31.0
Occupation		
Household Wives	66	31.0
Private Employee	49	23.0
Government Corporate Employee (BUMN)	2	1.0
Business Owner	51	24.0
Civil Servant	13	6.0
Retired	34	16.0
Region		
DKI Jakarta	123	58.0
Depok	21	10.0
Bekasi	21	10.0
Tangerang	25	12.0
Bogor	21	10.0
Duration as BSI customer		
< 1 year	4	2.0
1-3 years	55	26.0
> 3 years	153	72.0
Number of Banking Products		
1 Product	2	1.0
2-3 Product	40	19.0
> 3 Products	161	76.0
n = 212		

It should be noted that the possibility of potential common method bias may arise due to the fact that respondents are evaluated only once. However, to mitigate this concern, efforts were made to randomize the sample selection process in each areas. Furthermore, our study primarily adopts an explanatory approach, focusing on establishing associations rather than inferring causality. Therefore, the findings should be interpreted within this context, acknowledging the limitations inherent in observational research designs.

3.2. PLS-SEM and Questionnaire

Inferential statistical analysis is employed to test all hypotheses, utilizing Partial Least Square (PLS) analysis conducted through the Smart PLS 3.0 software program. The SEM-PLS method is chosen to accommodate exploratory research and centered on theory development based on existing theories. In addition, it is an effective method to estimate a model with the limited sample size. SEM-PLS Method also able to perform Mediation Variable Analysis when a third variable, known as a mediator, intervenes in the relationship between two other constructs (Hair et al. 2017). This analysis will identify the relationship of religious commitment as a mediator of customer satisfaction and loyalty. The data is collected through questionnaire, structured with closed-ended questions using Likert scale. The Likert Scale ranges from 1 to 5, representing responses from "strongly disagree" (1) to "strongly agree" (5) (see Table 2).

Table 2. Indicators and Items for SEM-PLS Analysis

Indicator	Item	Source
Customer Satisfaction (CS)		
Feeling pleased with the bank	CS01: I am happy to transact at Islamic banks. CS02: The services at Islamic banks meet my expectations.	(Fraering & S. Minor, 2013; Kashif et al., 2015; Sobari et al., 2022; Suhartanto, 2019)
Feeling pleased because the product meets expectations	CS03: The products available at Islamic banks meet my needs. CS04: The products available at Islamic banks are comprehensive. CS05: The fees at Islamic banks are affordable.	
Feeling pleased due to fast and modern services	CS06: Transactions at Islamic banks are fast. CS07: Transactions at Islamic banks are easy. CS08: Transactions service at Islamic banks are comprehensive.	
Customer Religious Commitment (CRC)		
Religiosity	CRC01: I think using Islamic banks is what Allah wants. CRC02: I see using Shariah-compliant banks as obeying Allah's command. CRC03: I am sure that Shariah banking follows Islamic business principles. CRC04: Banking with Shariah-compliant banks is a way of worship. CRC05: Using Shariah banks is following Islamic teachings. CRC06: My religious beliefs guide how I live my life entirely.	(Erciş et al., 2012; Suhartanto, 2019; Usman et al., 2017)
Nisbah perception (NP)		
Nisbah Principle	NP01: Islamic banks' nisbah rules are more fair for customers. NP02: Following nisbah rules makes me feel more at ease. NP03: Putting money in Islamic banks has more benefits.	(Aysan et al., 2017, 2018)
Nisbah Benefits	NP04: I earn more when I save in an Islamic bank. NP05: I anticipate bigger return each month. NP06: I often compare return with other banks.	
Customer Loyalty (CL)		
Transaction Frequency	CL01: I save money consistently in Islamic bank. CL02: I often shop online or do transactions at Islamic banks. CL03: I regularly donate to charity through Islamic banks.	(Bakar et al., 2017; Meesala & Paul, 2018; Pappu & Quester, 2016; Wu et al., 2019)
Repeat Purchases	CL04: I choose Islamic banks to keep my money. CL05: I opt for Islamic banks for investments. CL06: I suggest Islamic banks to my family members. CL07: I recommend Islamic banks to my friends.	

4. Results and Discussion

4.1. Validity and Reliability Test

To assess if the research instrument accurately measures the relationships between the variables, a validity test is essential (Hair et al. 2017). The first step involves validating and ensuring the reliability of the instrument. Factor analysis, a common technique for summarizing data, is used for this purpose. Factor loading represents the correlation between variables and factors. A questionnaire is considered valid if the factor loading value is ≥ 0.6 (Malhotra and Birks 2015). Additionally, reliability testing is performed to confirm the precision and consistency of indicators in measuring latent variables (Malhotra & Birks, 2015). Reliability also indicates convergent validity (Hair et al., 2017). A latent variable is deemed reliable if each construct has Cronbach's Alpha ≥ 0.70 , Composite Reliability (CR) ≥ 0.70 , and Average Variance Extracted (AVE) ≥ 0.50 .

The results indicate that the factor loading for each indicator of the variables surpasses 0.6, signifying a lack of correlation among the indicators (see Table 3). These findings from the validity test affirm the suitability and accuracy of all items in the research instrument. They are valid for assessing the relationship between customer satisfaction and customer loyalty. Moreover, all latent variables meet the reliability criteria, surpassing the minimum requirements for the Cronbach Alpha, composite CR, and AVE tests. This suggests that all items in the instrument used in this study are consistent and appropriate for measuring the same indicators in different locations.

Furthermore, a discriminant validity test and a VIF test for multicollinearity were conducted. The VIF test for the inner model revealed that all indicators had VIF values below 5, indicating the absence of multicollinearity issues (refer to Table 4). Additionally, the discriminant validity test, conducted using the Fornell-Larcker Criterion, showed that the square root of the AVE between each pair of factors exceeded the estimated correlation between factors, confirming their discriminant validity (Hair et al., 2017) (see to Table 5).

Table 3. Validity and Reliability Test

Variabel Laten	Indicator	Factor Loading	Cronbach Alpha	CR	AVE
Customer Loyalty	CL01	0.74	0.87	0.90	0.56
	CL02	0.81			
	CL03	0.72			
	CL04	0.71			
	CL05	0.76			
	CL06	0.72			
	CL07	0.76			
Customer Religiosity Commitment	CRC01	0.87	0.90	0.92	0.67
	CRC02	0.90			
	CRC03	0.79			
	CRC04	0.77			
	CRC05	0.85			
	CRC06	0.71			
Customer Satisfaction	CS01	0.79	0.92	0.93	0.63
	CS02	0.81			
	CS03	0.72			
	CS04	0.78			
	CS05	0.79			
	CS06	0.77			
	CS07	0.85			
	CS08	0.85			
Nisbah Perception	NP01	0.65	0.80	0.85	0.49
	NP02	0.69			
	NP03	0.78			
	NP04	0.77			
	NP05	0.67			
	NP06	0.64			

Table 4. VIF Test

Independent Variable	Dependent Variable	
	Customer Religiosity Commitment (CRC)	Customer Loyalty (Y)
Customer Satisfaction (CS)	1.00	1.46
Customer Religiosity Commitment (CRC)	-	1.84
Nisbah Perception (NP)	-	1.76
Moderating Effect (NP CRC)	-	1.28

Table 5. Discriminant Validity

	CL	CRC	CRC*NP	CS	NP
CL	0.75				
CRC	0.58	0.82			
CRC*NP	-0.13	-0.42	1.00		
CS	0.57	0.45	-0.05	0.79	
NP	0.55	0.59	-0.31	0.50	0.70

4.2. Validity and Reliability Test

The findings from this study reveal a significant direct impact of customer satisfaction on customer loyalty, indicated by β : 0.307 (H1) as shown in Table 6. Additionally, the variable of customer satisfaction also has a substantial positive direct influence on customer religiosity commitment, represented by β : 0.447 (H2), while customer religiosity commitment has a significant direct effect on customer loyalty with β : 0.353 (H3). In addition to being statistically significant, the association exhibits considerable strength in terms of magnitude. This suggests that an increase in customer satisfaction correlates strongly with higher levels of both customer religiosity commitment and customer loyalty, supporting the notion that customer satisfaction, as an affective aspect, is a crucial factor in fostering loyalty (Dick and Basu 1994). These findings are consistent with several recent studies in the Islamic bank but in other countries (see Feiz and Moradi, 2019; Kashif et al., 2015; Wu et al., 2019). Additionally, the findings reveal a significant association among customer satisfaction, religiosity commitment, and loyalty, indicating that in Islamic banks, customer satisfaction with the bank is closely intertwined with their perception of the bank's adherence to Sharia principles and rules, ultimately influencing customer loyalty to the bank. The role of religiosity as a mediator of customer satisfaction is a unique aspect of Islamic industry, consistent with previous research (Suhartanto 2019; Kaur and Soch 2018).

However, to understand how religiosity commitment mediates the relationship between loyalty and customer satisfaction, it is necessary to analyze the direct and indirect effects of this relationship. The results from Table 7 indicate that the indirect effect of customer satisfaction on customer loyalty through customer religiosity commitment is significant, suggesting that religiosity commitment serves as a mediator between satisfaction and loyalty, albeit not fully mediating the relationship. This is because the direct relationship between satisfaction and loyalty remains significant, implying the presence of other factors besides religiosity commitment that influence how customer satisfaction correlates with their loyalty.

In terms of the moderating variable, the nisbah perception is found to be significant in impacting the connection between customer religiosity commitment and customer loyalty, as shown in Table 6. The analysis underscores that customer perception of return based on Islamic principles, known as

nisbah perception, also plays a crucial role in enhancing customer loyalty, similar to customers in conventional banks who use return as a determining factor in their bank selection process (Pan and Ha 2019). This study reveals that nisbah perception acts as a moderator, influencing the strength customer loyalty within the model.

Table 6. Direct Effect (Path Coefficient) and Indirect Effect

	Estimation	Mean	SE	t-stat	P-val
Direct Effect					
H1 : CS → CL	0.31	0.30	0.06	4.80	0.000
H2 : CS → CRC	0.45	0.45	0.06	8.07	0.000
H3 : CRC → CL	0.35	0.36	0.08	4.60	0.001
H5 : CRC*NP → CL	0.07	0.07	0.03	2.39	0.018
H6 : NP → CL	0.22	0.22	0.07	3.20	0.002
Indirect Effect					
H4 : CS → CRC → CL	0.16	0.16	0.04	3.63	0.002

Table 7. Total Effect and Mediation Analysis

	Direct	Indirect	Total	Analysis
Customer Satisfaction → Customer Loyalty	0.31	0.16	0.47	Complementary Mediation

4.3. Discussion

This study delves into the relationship between customer satisfaction and loyalty, particularly in the context of Islamic banking. The findings align with previous research that consistently highlighted the pivotal role of customer satisfaction in shaping customer loyalty within Islamic banks (see Abror et al., 2019; Kashif et al., 2015; Makanyeza and Chikazhe, 2017; Sobari et al., 2022). We found that in the Indonesian Islamic banking industry, higher customer satisfaction among priority customers correlates with increased loyalty, and partially mediated by religiosity. As it is partially mediated, the finding suggest that other indicators of customer satisfaction also contribute to the formation of loyalty. Therefore, enhancing customer satisfaction through various indicators such as its tangible benefits, reliability, responsiveness, and assurance-which all of them used in this study to explain customer satisfaction-is essential.

Tangible benefits refer to the perceived value customers gain from services and facilities. Current services such as utilization of digital channels like BI fast and BSI Mobile, which offer cost-effective transactions, should be improved to rise customer satisfaction on the banking services. Reliability encompasses both human and system factors, crucial for efficient and trustworthy service delivery, while responsiveness reflects prompt customer service tailored to the time-sensitive needs of priority customers. As these factors are crucial, personal bankers for priority customers, known as priority officers, play a vital role in ensuring customer satisfaction and fostering loyalty among priority customers. These officers provide personalized financial advice and support, demonstrating empathy and reliability, especially during significant life events. These services, who provide tailored financial advice and empathetic support, should be maintained and improved as it may foster strong loyalty. Additionally, assurance, characterized by the trust and confidence customers have in the bank's, is also a key determinant of customer satisfaction which also fostering loyalty.

This study further emphasizes the significance of religiosity commitment as a partially mediator force behind customer satisfaction-loyalty relationship among priority customers at BSI. Adherence to

Islamic financial principles, including in the practice of nisbah system and transparency, plays a crucial role in fostering customer satisfaction and loyalty. Normative commitment, which reflects customers' adherence to religious duties and obligations, holds particular relevance in Islamic banking, where the integration of religious values is significant. The strong religiosity commitment serves as a mediator between customer satisfaction and loyalty, highlighting its substantial impact on shaping customer loyalty. This finding is consistent with Fullerton's (2011) assertion that normative commitment measures the extent to which customers are committed to maintaining relationships based on obligations and responsibilities. This normative relationship is highly relevant in Islamic banking, where banks not only offer profit-driven services but also uphold religious values, urging customers to fulfill their religious duties and feel accountable for any neglect. Thus, religiosity ultimately influences normative commitment through moral principles and religious values.

Moreover, the importance of religiosity commitment underscores the high level of religious devotion among priority customers. This suggests that aside from banks adhering to Islamic financial principles and ensuring transparency in financial transactions, priority customers also exhibit a strong religious value. Consequently, non-financial products rooted in Islamic principles, such as wakaf (endowment), zakat (charitable giving), and savings for Hajj and Umrah pilgrimages, can be a potential product to be offered by Islamic banks in Indonesia. These products can be specifically tailored to target priority customers, considering their heightened religious awareness and commitment. This strategic approach not only aligns with the religious values of priority customers but also enhances their loyalty by providing meaningful financial solutions that resonate with their religious beliefs and obligations.

Additionally, the study sheds light on the moderating role of customer perception of the nisbah in the relationship between religiosity commitment and loyalty, aligning with Pan and Ha's research (2019). This emphasizes the importance of customer perceptions of return in determining loyalty, especially in Islamic banks. Despite the significance of religious commitment among priority customers, financial aspects, such as perceived return, also influence their loyalty decisions. Therefore, offering financially beneficial products tailored to priority customers, such as "Special nisbah", can further enhance customer loyalty, considering the significant role of return in loyalty determination.

5. Conclusion

This study provides important insights into the determinants of customer loyalty in Islamic banking, highlighting the roles of customer satisfaction, religiosity commitment, and perception of nisbah. The study highlights several key factors influencing customer satisfaction and loyalty in the banking sector, particularly among priority customers. Tangible benefits, reliability, responsiveness, and assurance are crucial aspects that contribute to customer satisfaction and foster loyalty. Personal bankers, known as priority officers, play a vital role in delivering personalized financial advice and support to ensure priority customer satisfaction. Additionally, the study emphasizes the importance of religiosity commitment as a partial mediator in the relationship between customer satisfaction and loyalty among priority customers. Adherence to Islamic financial principles, transparency, and normative commitment are significant factors in shaping customer loyalty. The study suggests that offering non-financial products rooted in Islamic principles, such as wakaf and zakat, hajj and umroh services, inheritance consultation tailored to priority customers' religious values, can enhance loyalty. Furthermore, customer perception of return, particularly in terms of the nisbah system, moderates the relationship between religiosity commitment and loyalty, highlighting the importance of perceived financial benefits in loyalty determination. Overall, the findings underscore the importance of addressing both financial and religious aspects to cultivate loyalty among priority banking customers.

The study makes a valuable contribution to the literature on Islamic banking and offers actionable insights for managers in this industry, both within Indonesia and in other regions where Islamic finance is gaining prominence. Furthermore, these insights indirectly explain the behavior of wealthy customers when selecting their preferred savings and investment destinations. However, several limitations should

be acknowledged. Firstly, the study's narrow focus on BSI priority customer may restrict the generalizability of the findings to other Islamic banks or customer segments within Indonesia. Moreover, this research only captures data at a single point of time, limiting the ability to identify the changes and establish causal relationship model. Future research could extend this study by employing longitudinal method to track changes in customer satisfaction, religiosity commitment, and perceptions of return rates over time, enabling a more comprehensive assessment of causal relationships. Additionally, conducting comparative analyses across different Islamic banks or customer segments would yield valuable insights into variations in loyalty dynamics and the efficacy of marketing strategies across the Islamic banking industry in Indonesia.

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