



## The Mediation of Brand Religiosity Image between Customer Satisfaction and Loyalty at Islamic Bank in Makassar, South Sulawesi, Indonesia

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### **Abstract**

This study aims to examine the effect of customer satisfaction on customer loyalty through the mediation of brand religiosity image. The sample in this study amounted to 170 respondents, who are customers of Islamic banks in Makassar, South Sulawesi, taken in December 2019 to January 2020. This research is a quantitative study, with the analysis technique of structural equation model (SEM) using SmartPLS 3 as an analysis tool. The results of this study indicate that direct satisfaction and brand religiosity image significantly influence customer loyalty and indirectly satisfaction affect loyalty through mediating brand religiosity image.

**Keywords:** *Brand Religiosity Image; Satisfaction; Loyalty; Islamic Banking*

### **Introduction**

The development of Islamic banking in Indonesia is still not significant. This is because the market share in Islamic banking based on data from the Financial Services Authority (OJK, 2018) is still around 5.7% and 94.3% is the market share in conventional banks of all national banking assets. This means that conventional banks are still far superior compared to Islamic banks in Indonesia. On another aspect, the growth of the Islamic banking industry in the past three years has fluctuated, although it has continued to grow positively. Data from the Financial Services Authority (OJK) (2018) in the Islamic banking Snapshot as of June 2018 shows that the growth of Islamic banking assets was relatively stagnant in the range of 19-20% over the 2016-2017 period, and fell to 13.09% in mid-2018. Thus, when compared with the average asset growth in the 2012-2013 period which reached 40%, the growth in the last two years has decreased very dramatically.

Islamic Banking in the provinces in Indonesia also has not experienced significant development, especially when compared to conventional charges. In South Sulawesi, the market share or market share of South Sulawesi Province according to OJK Regional 6 Sulawesi, Maluku, and Papua (SULAMPUA) is relatively stagnant at around 5.40 percent. The total assets of Islamic banking in South Sulawesi is in the position of nine out of ten competitors of the distribution of Islamic banking assets by province (OJK, Islamic Banking Snapshot, 2018).

Some of the data above, explains that the development and profitability of Islamic banking are still low even decreasing. According to Rosenberg & Czepiel (2017), the profitability of a company decreases due to customer satisfaction and loyalty also decreases. This is because customer satisfaction and loyalty is a very important aspect in the development of modern business (Rosenberg & Czepiel, 2017).

Customer satisfaction has become one of the top tools for a successful business. Customer satisfaction is defined as an overall evaluation based on total purchases and consumption experience with goods or services over time (Fornell, Johnson, Anderson, Cha & Bryant 1996). Besides satisfaction, customer loyalty is the key to success in almost every business industry. This is because customer loyalty has a positive correlation with business performance and customer loyalty also not only increases value in business but can also attract new customers (Beerli et al., 2004). In the short term, improving customer loyalty will bring profits to sales. Profit is the main motive for business consistency because with-profits the wheels of business turnover from the variety of products and services offered and the expansion of the market being served (Soeling, 2007). In the long run, improving loyalty will generally be more profitable, that is, customers are willing to pay higher prices, provide cheaper services and are willing to recommend to new customers (Aryani, 2010).

Loyalty is very closely related to customer satisfaction, even the key to creating loyalty. Someone feels satisfaction when giving a positive impression related to the company's products, then they have better expectations and tend to make repeat purchases on the same product in the future rather than switch to other products (Yeh et al., 2016). Therefore, creating customer satisfaction is an important part of business, but satisfaction alone cannot bring a business to the top level without creating loyal customers. This is because the cost of getting new customers is far more than maintaining existing ones. Loyal customers will encourage others to use the product and think more than twice before changing their mind to use another product (Khadka and Maharjan, 2017).

The close relationship between satisfaction and loyalty is inseparable from the presence of research gaps. Some studies prove that satisfaction greatly influences loyalty, and other studies state satisfaction does not affect loyalty or is not linearly related. Chiguvi and Guruwo (2015) revealed that there is a positive relationship between customer satisfaction and customer loyalty. Therefore, according to his research, banks are recommended to positively increase customer satisfaction to achieve customer loyalty. Song et al (2019) state that satisfaction is a strong antecedent of loyalty, even satisfaction is a prerequisite for achieving loyalty because an increase in satisfaction usually leads to an increase in loyalty. In line with that according to Ganiyu (2017) that customer satisfaction is very important in building and increasing customer loyalty.

Awan and Rehman (2014) explain that many studies state the relationship of satisfaction and loyalty, some even consider the position of the two can be exchanged. Although lately it has become the same direction, from satisfaction to loyalty, because satisfied customers will become loyal customers. The results of the study of Awan and Rehman (2014) explain that the satisfaction variable significantly influences the customer loyalty variable. This is also supported by several studies revealing that there is a positive relationship between customer satisfaction and customer loyalty in banks including Islamic banks such as research by Amin et al., 2013; Kashif et al., 2015,2016; Sayani et al., 2015.

Other research also shows that satisfaction does not affect loyalty or is not linearly related. Strauss and Neuhaus (1997), and Tuu (2010) explain that between satisfaction and loyalty is a nonlinear relationship. Ruyter and Bloemer (1999), Kandampully and Suhartanto (2000) state that an increase in satisfaction does not produce the same increase in loyalty for all customers. Plilati (2007) explains satisfaction consists of adequate satisfaction level and desired satisfaction level, although both of them have a significant influence but negatively correlated to loyalty, meaning that even though satisfaction increases on the other hand does not increase customer loyalty. This is as the research of Pereira et al

(2016) and Kanthi, et al (2016) who have proven that there is no significant relationship between satisfaction with loyalty.

This study tries to bridge the gap between satisfaction and loyalty with a variable called brand religiosity image. Brand religiosity image is high trust in the brand because the brand image produces a spiritual connection with its customers. Brand religiosity image is a concept built to match the environment or personality of customers in Islamic marketing. This is because different environments and personalities will create different brand images. Besides, the brand image represents the customer's emotional brand towards a particular company or product and has a strong impact on consumer buying behavior (Arora & Stoner, 2009).

## ***Methodology***

This study uses an explanatory pattern, which aims to explain the position and causality relationships of the variables studied. In the explanatory research phase, emphasizing quantitative data analysis data collection. An explanatory research design is a correlational design in which the researcher is interested in two or more variables that are mutually variable, that is, where changes in one variable are reflected in changes in another. An explanatory design consists of a simple relationship between two or more variables (Creswell, 2012). The determination of the sample in this study uses a nonprobability sampling method in this case quota sampling, which is a sampling technique that determines the number of samples from populations that have certain characteristics to the desired quota (quota) (Sekaran and Bougie, 2017). The total sample in this study were 170 respondents who are customers of Islamic banks in Makassar. According to Sekaran and Bougie (2017) that simply in the structural equation model analysis requires a sample of 5 to 10 times the number of indicator variables. This study has 17 indicators so that the total sample in this study is 170 samples. The analysis technique in this study uses Structural Equation Modeling (SEM) with SmartPLS 3 analysis tools.

## ***Result***

### ***1. Testing of the Outer Model***

The outer model test includes 3 aspects, namely convergent validity, discriminant validity and composite reliability (Hair et al., 2014). Convergent validity is an assessment to measure the strength of indicators in reflecting latent constructs. If the loading factor value is  $\leq 0.5$ , then the indicator must be discarded. The standard for loading factors in convergent validity is 0.5 and it is better if the loading factor is  $\geq 0.7$  or by looking at the Cronbach's alpha value  $> 0.7$ . Discriminant validity functions to measure the accuracy of the reflective model by seeing that each indicator has a higher loading for the construct that is measured compared to the value of loading to another construct. While composite reliability is used to assess the stability and consistency of good internal indicators. The minimum recommended value for measuring composite reliability is 0.7 and the better value is more than 0.7.

### Convergent Validity

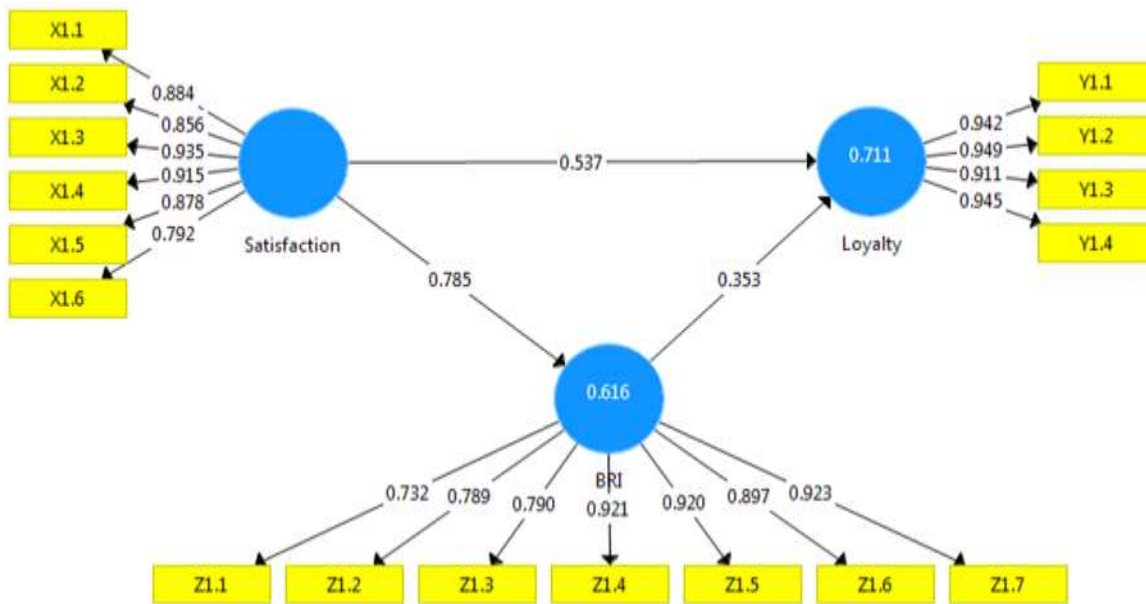


Figure 1. Test Model (Loading Factor)

Figure 1 shows that the correlation between constructs and variables has fulfilled convergent validity because the spread of loading factor values in the picture above shows  $> 0.50$  even greater than  $0.70$  so that the convergent validity test can be accepted and meets the standard.

### Discriminant Validity

Discriminant Validity testing is by ensuring that each cross-loading of each latent variable is different from other variables.

Table 1 shows good discriminant validity because the value of the indicator correlation to the construct is higher than the value of the correlation indicator of other constructs.

*Table 1. Cross Loading*

Indicator	Brand Religiosity Image	Loyalty	Satisfaction
X1.1	0.696	0.658	<b>0.884</b>
X1.2	0.646	0.648	<b>0.856</b>
X1.3	0.751	0.734	<b>0.935</b>
X1.4	0.710	0.698	<b>0.915</b>
X1.5	0.686	0.802	<b>0.878</b>
X1.6	0.639	0.737	<b>0.792</b>
Y1.1	0.647	<b>0.942</b>	0.743
Y1.2	0.793	<b>0.949</b>	0.824
Y1.3	0.707	<b>0.911</b>	0.720
Y1.4	0.746	<b>0.945</b>	0.757
Z1.1	<b>0.732</b>	0.492	0.511
Z1.2	<b>0.789</b>	0.610	0.612
Z1.3	<b>0.790</b>	0.669	0.717
Z1.4	<b>0.921</b>	0.666	0.670
Z1.5	<b>0.920</b>	0.631	0.651
Z1.6	<b>0.897</b>	0.765	0.747
Z1.7	<b>0.923</b>	0.755	0.749

*Composite Reliability*

A questionnaire is said to have good composite reliability (CR) if it has > 0.7. Besides that, it has a Cronbach's alpha value greater than 0.70 and has an average variance extracted (AVE) value > 0.5.

*Table 2. Composite Reliability*

	Cronbach's Alpha (> 0,70)	CR (>0,70)	AVE (>0,50)	Status
Customer Satisfaction	0,940	0,953	0,771	Reliable
Brand Religiosity Image	0,938	0,950	0,733	Reliable
Customer Loyalty	0,954	0,966	0,878	Reliable

## 2. Testing of the Structural Model (Inner Model)

### Model Significance Test

The structural model in this study is shown in Figure 2.

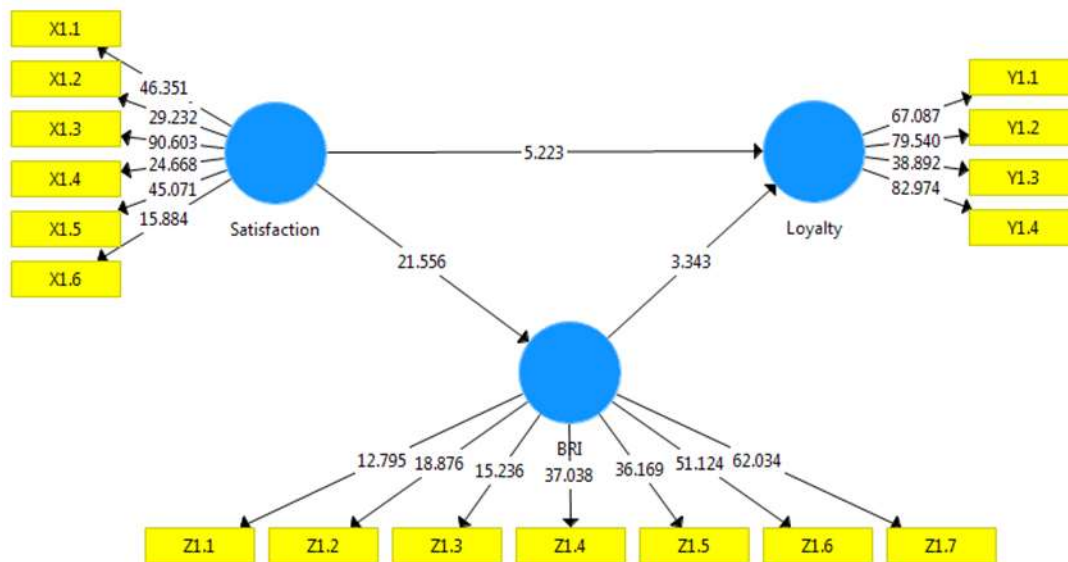


Figure 2. Output From The Structural Model

Test the significance of the model in PLS using bootstrapping techniques, by comparing t statistics with t table values. T table of this study is 1.974 with df = 167 or P-Value greater than 0.05. More details can be seen in Table 3.

Table 3. Path Coefficient (Direct Effect)

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	Test Result
<b>Satisfaction -&gt; Brand Religiosity Image</b>	0.785	0.788	0.036	21.556	0.000	Significant
<b>Brand Religiosity Image -&gt; Loyalty</b>	0.353	0.348	0.106	3.343	0.001	Significant
<b>Satisfaction -&gt; Loyalty</b>	0.537	0.541	0.103	5.223	0.000	Significant

Table 3 shows that some coefficients of direct influence between the relationship of exogenous variables to endogenous variables are as follows:

- a. Satisfaction affects the Brand Religiosity Image with a coefficient value of 21,556, accepted at an error rate of 0.05 or 5%, with an effect of 0.785 or 78.5%, meaning that the higher the satisfaction, it affects the increase in customer brand image religiosity.
- b. Brand Religiosity Image influences loyalty with a coefficient value of 3334, accepted at an error rate of 0.05 or 5%, with an effect of 0.348 or 34.8%, meaning that the higher the brand religiosity image will affect the increase in customer loyalty.
- c. Satisfaction has an effect on loyalty with a coefficient value of 5.223, accepted at an error rate of 0.05 or 5%, with an effect of 0.541 or 54.1%, meaning that the higher the satisfaction, it affects the increase in customer loyalty.

*Table 4. Path Coefficient (Indirect Effect)*

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	Test Result
<b>Satisfaction -&gt; Brand Religiosity Image -&gt; Loyalty</b>	0.277	0.274	0.083	3.350	0.001	Significant

Table 4 shows that satisfaction indirectly affects loyalty through mediating brand religiosity image with a coefficient value of 3.350, meaning that mediating brand religiosity image reinforces the effect of satisfaction in increasing customer loyalty.

#### *Determinant Coefficient*

The Determinant Coefficient ( $R^2$ ) essentially measures how the model's ability to explain endogenous variables. The value of the determinant coefficient ( $R^2$ ) is explained in Table 5.

*Table 5. R Square Adjusted*

	R Square	R Square Adjusted
<b>Brand Religiosity Image</b>	0.711	0.707
<b>Loyalty</b>	0.616	0.614

Table 5 explains:

- a. Brand religiosity image (Z) has a coefficient of determination ( $R^2$ ) of 0.711 which means that the Brand religiosity image variable can be explained by the satisfaction variable (X) of 71.1% or in other words the contribution of the effect of customer satisfaction on brand religiosity image in Islamic banks in Makassar of 71.1%, while the remaining 28.9% is contributed by other variables outside this study.

- b. Loyalty (Y) has a coefficient of determination ( $R^2$ ) of 0.616 which means that the loyalty variable can be explained by the variable satisfaction (X) and brand religiosity image (Z) by 61.6% or in other words the contribution of the effect of customer satisfaction and brand religiosity image on loyalty customers at Islamic banks in Makassar amounted to 61.6%, while the remaining 38.4% was contributed by other variables outside this study

## ***Discussion***

The results of this study indicate that satisfaction has a significant effect on customer loyalty. This means that the more customer satisfaction of Islamic banks in Makassar, they will be more loyal to save money in Islamic banks and do not want to switch to conventional banks. This is consistent with the results of research Song et al (2019), according to him satisfaction is a strong antecedent of loyalty, even satisfaction is a prerequisite for achieving loyalty because an increase in satisfaction usually leads to an increase in loyalty. In line with that according to Ganiyu (2017) that customer satisfaction is very important in building and increasing customer loyalty so that customer satisfaction has a significant effect on customer loyalty.

The results of this study also indicate that satisfaction affects brand religiosity image. Satisfaction offered by Islamic banks is not only in the form of material but also emotional or spiritual satisfaction so that the brand image of Islamic banks is increasing. The religious-based brand is the level where individuals feel the meaning of a brand is equivalent to the religious meaning in life (Sarkar, 2017). This is because religious brands come from the highest values that have the highest product involvement, in addition to emotional values and rational values offered by brands, so religious brands are the main position of a brand for customers (Wahyuni and Fitriani, 2017). The brand religiosity image variable contributes to bridging the research gap between customer satisfaction and loyalty at Islamic banks in Makassar. As mentioned previously, some studies explain that the relationship between satisfaction and customer loyalty does not always affect because some studies say that the relationship of satisfaction and loyalty is not linear and insignificant.

## ***Conclusion***

This research is a quantitative study with an analysis unit at an Islamic bank in Makassar, South Sulawesi province, Indonesia. Based on the analysis using the SmartPLS 3 application, the conclusions in this study are:

- a. There is a significant influence of satisfaction variable on brand religiosity image of Islamic Banks in Makassar City at 78.5 percent with a coefficient value of 21.556 and p value of 0.000.
- b. There is a significant influence of customer satisfaction variables on the brand religiosity image of Islamic Banks in Makassar City of 78.5 percent with a coefficient value of 21.556 and p value of 0.000.
- c. There is a significant influence of customer satisfaction variables on customer loyalty in Islamic banks in Makassar City by 54.1 percent with a coefficient value of 5.223 and p value of 0.000.
- d. There is an indirect significant effect of satisfaction variables on customer loyalty through mediating brand religiosity image by 27.7 percent with a coefficient of 3.350 and p value of 0.001.



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