The Effect of Religiosity and Service Quality on Customer Satisfaction and Its Impact on Priority Customer Loyalty of Sharia Mandiri Bank Branch Banda Aceh

*Deddy Sunandar Mahfuz, Permana Honeyta Lubis and Sorayanti Utami
Department of Management, Universitas Syiah Kuala, **Indonesia**

Abstract

This research aims to analyze the effect of religiosity and service quality on customer loyalty through customer satisfaction. The object is the priority customers of Sharia Mandiri Bank Banda Aceh Branch. The sample is taken by using the simple random sampling technique with the size of respondents as many as 89 priority customers. Data is analyzed using Structural Equation Model (SEM). The result reveals that religiosity and service quality effect customer satisfaction; customer satisfaction effects priority customer loyalty; religiosity and service quality effect priority customer loyalty directly and indirectly through customer satisfaction. This research model contributes to the realm of science that strengthen the previous causality theories. The novelty is in the integration of the previous models from other research, and with the new object. The limitation resides in the amount of variables and the scope of object. This study is also can contribute to the practical leaders especially in Sharia Mandiri Bank.

Keywords: Religiosity, Service Quality, Customer Satisfaction, Priority Customer Loyalty.

1. Introduction

Customer loyalty is the commitment of a customer to reuse services provided by the bank (Kotler and Keller, 2018). According to (Ahmed, Ahmad and Jan, 2016), Customer loyalty is characterized by a strong relationship between customer attitudes and repetition of the use of bank services that represent the proportions, sequence, and probability of using services from the same bank. Then, according to (Leninkumar, 2017), customer loyalty is defined as a commitment that is held firmly by the customer to reuse services from the same bank consistently for the future.

This research needs to prove the model of customer loyalty for the Priority customers of Sharia Mandiri Bank Banda Aceh Branch, or we can shorten it to Sharia Mandiri Bank in this discussion. In this full of competition era, Sharia Mandiri Bank needs to map the factors that affects its customer loyalty, based on the theories, and test it statistically. Customer loyalty is not an easy thing to create and maintain, therefore if Sharia Mandiri Bank wants to create and maintain customer loyalty, the thing to do is to increase customer satisfaction, because customer satisfaction is the most dominant and key factor in creating customer loyalty (Munari, Ielasi and Bajetta, 2013).

According to (Puriwat and Tripopsakul, 2017), customer satisfaction is the collective result of perceptions, evaluations, and psychological reaction to the consumption experience of the

services received from the bank. Then, according to (Susanti, 2014), Customer satisfaction can also be interpreted as an emotional response from customers obtained from the results of an evaluation of the experience after using the services of the bank.

Customer loyalty and customer satisfaction can be influenced by the quality of services provided by the bank. Service quality can be regarded as a specific overall evaluation carried out by the customer of the services provided by the company resulting from comparing company performance with customer expectations (Ramachandran and Chidambaram, 2012). According to (Hidayat, Akhmad and Machmud, 2015), service quality can be said as an indication of customer satisfaction, if the service received by the customer is in accordance with his expectations the customer will be satisfied with the service. Then, according to (Khan & Fasih, 2014), service quality is also one of the factors that can create customer loyalty, because in a very competitive business competition service quality will be a benchmark for customer to be loyal to a bank.

In addition to service quality, customer loyalty and customer satisfaction are also influenced by the religiosity of a customer. Religiosity can be defined as the obedience of an individual to the religious values that he embraces and practices those values in his life (Abu-Alhaija *et al.*, 2018). According to (Ahmad, Rahman and Rahman, 2015), religiosity is considered as an important element in the decision making process that can lead customers to behave ethically and according to Islamic law which in the habit of customers who have a high level of religiosity tend to be more satisfied using sharia-based bank services. Then, according to (Sungkawa, Hendriyani and Yuhelmi, 2014), religiosity is also one of the factors that can create customer loyalty, because a customer who has high religiosity will remain committed to using banking services in accordance with Islamic principles.

Based on the description, it reveals that religiosity and service quality are the factors that can determine customer satisfaction and customer loyalty. The study by (Sungkawa, Hendriyani and Yuhelmi, 2014) stated the higher the level of religiosity of a customer the customer satisfaction and loyalty will also increase, in addition the results of research also concluded that the higher the level of religiosity of a customer the customer satisfaction will also increase which will indirectly increase customer loyalty. Then, the research of (Leninkumar, 2017) described the better the quality of services provided by the bank the customer satisfaction and loyalty to the bank will also increase, in addition the research also concluded the better the quality of services provided by the bank will increase customer satisfaction with the bank which indirectly it will also increase customer loyalty. Furthermore, the research conducted by (Khan and Fasih, 2014), (Ridwan *et al.*, 2017), and (Afeshat and Alola, 2018) revealed the higher the level of customer satisfaction the customer loyalty is also will increase.

As for the background in this research, there are differences in the results of research that have been done by previous researchers (research gap). The result of previous research found that religiosity (Sungkawa, Hendriyani and Yuhelmi, 2014) and service quality (Islam and Niaz, 2014) affect customer satisfaction. Meanwhile, there were also found that religiosity (Hidayat, Akhmad and Machmud, 2015) and service quality (Tee, Preko and Tee, 2018) have not effect on customer satisfaction. Furthermore, the some studies found that religiosity (Setiawan & Hussein, 2014), service quality (Aisyah, 2018), and customer satisfaction (Ridwan *et al.*, 2017) affect customer loyalty. Meanwhile, there are also the studies that found that religiosity (Hidayat, Akhmad and Machmud, 2015), service quality (Ahmed, Ahmad and Jan, 2016), and customer satisfaction (Tee, Preko and Tee, 2018) have not effect on customer loyalty.

Based on the discussion of theoretical framework above, the authors build some research hypotheses as follows:

Ha1: Religiosity effects customer satisfaction significantly
Ha2: Service quality effects customer satisfaction significantly
Ha3: Religiosity effects priority customer loyalty significantly
Ha4: Service quality effects priority customer loyalty significantly
Ha5: Customer satisfaction effects priority customer loyalty significantly
Ha6: Religiosity effects priority customer loyalty through customer satisfaction
Ha7: Service quality effects priority customer loyalty through customer satisfaction

2. Method

The population in this research is all Priority Customer of Sharia Mandiri Bank, while the sample is 89 customers who are determined by simple random sampling. The research data are obtained through the dissemination of questionnaires and analyzed by structural equation model (SEM) techniques using SmartPLS software. SEM is a multivariate data analysis technique that combines the outer model which aims to determine the specification of the relationship between latent variables and the indicators and inner model which aims to determine the effect specifications between latent variables (F. Hair Jr *et al.*, 2014).

3. Result

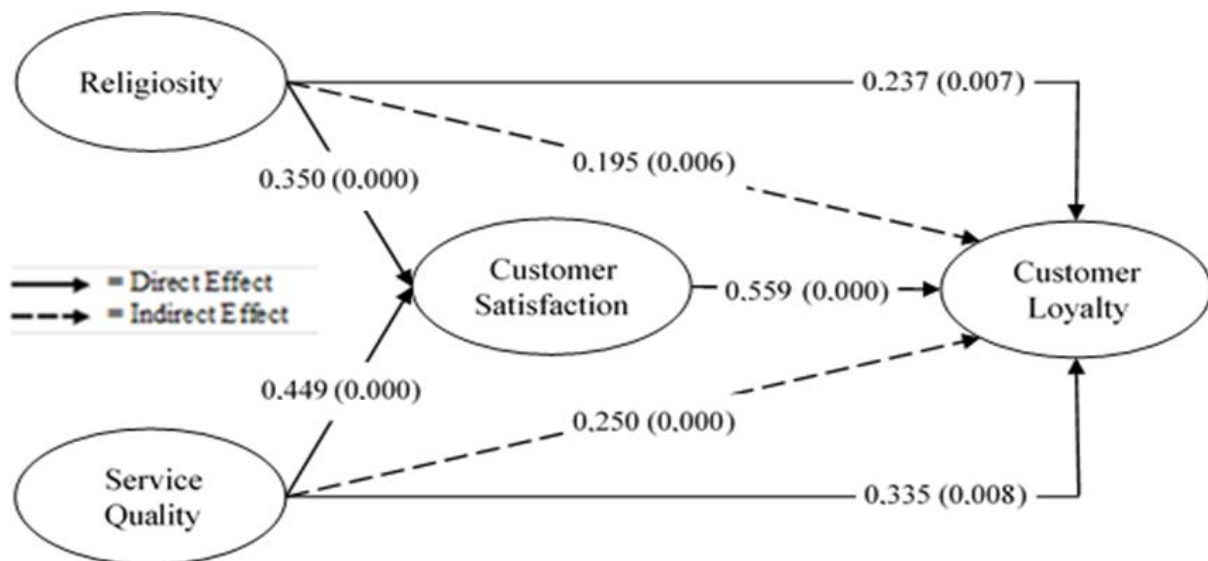The test result is explained in the following figure:

Figure 1. Result

The figure 1 shows path coefficient among variables, that is explained as follows:

Hypothesis 1 (accepted): The Significant Effect of Religiosity on Customer Satisfaction

From the result, religiosity effects customer satisfaction with path coefficient 0.350 and

significant value 0.000 so it reveals that religiosity has significant contribution in increasing customer satisfaction by 35.0%. This result explains that the higher the level of religiosity of a priority customer of Sharia Mandiri Bank, the level of customer satisfaction will also increase. This result is also in accordance with the research by (Sungkawa, Hendriyani and Yuhelmi, 2014) which also found that religiosity had a positive and significant effect on customer satisfaction.

Hypothesis 2 (accepted): The Significant Effect of Service Quality on Customer Satisfaction

Service quality effects customer satisfaction with path coefficient 0.449 and significant value 0.000 so it describes that the service quality has significant contribution in increasing customer satisfaction by 44.9%. This result reveals the better the quality of services provided by the Sharia Mandiri Bank, the satisfaction level of the priority customer of Sharia Mandiri Bank toward the bank will also increase. This result is also in accordance with the research by (Leninkumar, 2017) which also found that service quality had a positive and significant effect on customer satisfaction.

Hypothesis 3 (accepted): The Significant Effect of Religiosity on Priority Customer Loyalty

Religiosity effects customer loyalty with path coefficient 0.237 and significant value 0.007 so it states that religiosity has a significant contribution in increasing customer loyalty by 23.7%. This result describes the higher the level of religiosity of a priority customer of Sharia Mandiri Bank, the level of customer loyalty will also increase. These results is also in accordance with the results of research by (Sungkawa, Hendriyani and Yuhelmi, 2014) which also found that religiosity had a positive and significant effect on customer loyalty.

Hypothesis 4 (accepted): The Significant Effect of Service Quality on Priority Customer Loyalty

From the result, service quality effects customer loyalty with path coefficient 0.335 and significant value 0.008 so it indicates that service quality has a significant contribution in increasing customer loyalty by 33,5%. This result explains the better the quality of services provided by the Sharia Mandiri Bank, the loyalty level of the priority customer of Sharia Mandiri Bank toward the bank will also increase. This result is also in accordance with the research by (Leninkumar, 2017) which also found that service quality had a positive and significant effect on customer loyalty.

Hypothesis 5 (accepted): The Significant Effect of Customer Satisfaction on Priority Customer Loyalty

Customer satisfaction effects customer loyalty with path coefficient 0.559 and significant value 0.009 so that it shows that customer satisfaction has a significant contribution in increasing customer loyalty by 55.9%. This result proves the higher the level of satisfaction priority customer of Sharia Mandiri Bank, the level of customer loyalty toward the bank will also increase. This result is also in accordance with the research by (Khan and Fasih, 2014), (Ridwan *et al.*, 2017), and (Afeshat and Alola, 2018) which also found that customer satisfaction had a positive and significant effect on customer loyalty.

Hypothesis 6 (accepted): The Significant Effect of Religiosity on Priority Customer Loyalty through Customer Satisfaction

Based on the result, religiosity has a positive and significant effect on customer loyalty indirectly through customer satisfaction with path coefficient 0.195 and significant value 0.006. The result concludes that the higher the level of religiosity of a priority customer of Sharia Mandiri Bank, the level of customer satisfaction will also increase which indirectly also has a significant contribution in increasing customer loyalty by 19,5%.

This result is also in accordance with the research by (Sungkawa, Hendriyani and Yuhelmi, 2014) which also found that religiosity had a positive and significant effect on customer loyalty indirectly through customer satisfaction. Thus, customer satisfaction in this research acts as a partial mediation between the effect of religiosity on customer loyalty, because in this research religiosity has a significant effect on customer loyalty both directly and indirectly through customer satisfaction.

Hypothesis 7 (accepted): The Significant Effect of Service Quality on Priority Customer Loyalty through Customer Satisfaction

Based on the result, service quality has a positive and significant effect on customer loyalty indirectly through customer satisfaction with path coefficient 0.250 and significant value 0.000. The result concludes the better the quality of service provided by the Sharia Mandiri Bank, the level of customer satisfaction will also increase which indirectly also has a significant contribution in increasing customer loyalty by 25.0%.

These results is also in accordance with the results of research by (Leninkumar, 2017) which also found that service quality had a positive and significant effect on customer loyalty indirectly through customer satisfaction. Thus, customer satisfaction in this research acts as a partial mediation between the effect of service quality on customer loyalty, because in this research service quality has a significant effect on customer loyalty both directly and indirectly through customer satisfaction.

4. Conclusion

This study finds several premises, that are: religiosity effects customer satisfaction significantly; service quality effects customer satisfaction significantly; customer satisfaction effects priority customer loyalty significantly; religiosity effects priority customer loyalty directly and indirectly through customer satisfaction; Service quality effects priority customer loyalty directly and indirectly through customer satisfaction.

This research contributes to the realm of science that strengthen the previous causality theories. The novelty is in the integration of the previous models from other research, and with the new object. The limitation resides in the amount of variables and the scope of object. This study is a development model and also can contribute to the practical leaders especially in Sharia Mandiri Bank. Sharia Mandiri Bank can capture some implications from the research model, and map its strategy to face the problems.

References

1) Abu-Alhaija, A. S.-A. *et al.* (2018) 'Religion in Consumer Behaviour Research: the Significance of Religious Commitment and Religious Affiliation', *International Journal of Economics, Commerce and Management*, VI(1), pp. 245–258.

2) Afeshat, R. Al and Alola, U. V. (2018) 'Investigating the Nexus of Service Quality and Customer Loyalty in Banking Industry via the Mediating Role of Customer Satisfaction', *Academic Journal of Economic Studies*, 4(3), pp. 167–176.

3) Ahmad, A. N., Rahman, A. A. and Rahman, S. A. (2015) 'Assessing Knowledge and Religiosity on Consumer Behavior towards Halal Food and Cosmetic Products', *International Journal of Social Science and Humanity*, 5(1), pp. 10–14. doi: 10.7763/IJSSH.2015.V5.413.

4) Ahmed, S., Ahmad, K. and Jan, M. T. (2016) 'The impact of service quality on customer satisfaction and customer loyalty: An empirical study on Islamic banks in Bahrain', *Al-Shajarah: Journal of Islamic Thought and Civililzation of The International Islamic University Malaysia*, 21(3), pp. 261–281.

5) F. Hair Jr, J. *et al.* (2014) 'Partial least squares structural equation modeling (PLS-SEM) An emerging tool in business research', *European Business Review*. Emerald Group Publishing Limited, 26(2), pp. 106–121.

6) Hidayat, R., Akhmad, S. and Machmud, M. (2015) 'Effects of Service Quality, Customer Trust and Customer Religious Commitment on Customers Satisfaction and Loyalty of Islamic Banks in East Java', *Al-Iqtishad - Jurnal Ilmu Ekonomi Syariah*, VII(2), pp. 151–164. doi: 10.15408/ijies.v7i2.1681.

7) Islam, M. S. and Niaz, A. Z. . (2014) 'Analysis of Service Quality and Satisfaction Level of Customers in Banking Sector of Bangladesh', *British Journal of Marketing Studies*, 2(7), pp. 14–28.

8) Khan, M. M. and Fasih, M. (2014) 'Impact of Service Quality on Customer Satisfaction and Customer Loyalty: Evidence from Banking Sector', *Pakistan Journal of Commerce and Social Sciences*, 8(2), pp. 331–354.

9) Kotler, P. and Keller, K. L. (2018) *Marketing Management, Global Edition*. 15th editi. Harlow, United Kingdom: Pearson.

10) Leninkumar, V. (2017) 'An investigation on the relationship between Service Quality and Customer Loyalty: A mediating role of Customer Satisfaction', *Archives of Business Research*, 5(5), pp. 1–23. doi: 10.14738/abr.55.3152.

11) Munari, L., Ielasi, F. and Bajetta, L. (2013) 'Customer satisfaction management in Italian banks', *Qualitative Research in Financial Markets*, 5(2), pp. 139–160. doi: https://doi.org/10.1108/QRFM-11-2011-0028.

12) Puriwat, W. and Tripopsakul, S. (2017) 'The impact of e-service quality on customer satisfaction and loyalty in mobile banking usage: Case study of Thailand', *Polish Journal of Management Studies*, 15(2), pp. 183–193. doi: 10.17512/pjms.2017.15.2.17.

13) Ramachandran, A. and Chidambaram, V. (2012) 'A review of customer satisfaction towards service quality of banking sector', *Periodica Polytechnica Social and Management Sciences*, 20(2), pp. 71–79. doi: https://doi.org/10.3311/pp.so.2012-2.02.

14) Ridwan, B. M. *et al.* (2017) 'Influence of service and satisfaction towards customer's loyalty: a study in state-owned Islamic bank in Makassar, Indonesia', *Russian Journal of Agricultural and Socio-Economic Sciences*, 1(61), pp. 60–65. doi: https://doi.org/10.18551/rjoas.2017-01.07.

15) Sungkawa, E., Hendriyani, Y. and Yuhelmi (2014) 'Pengaruh Komitmen Agama Dan Kepercayaan Terhadap Loyalitas Nasabah Dan Kepuasan Nasabah Sebagai Variabel Intervening Pada Nasabah Tabungan Bank Syariah Mandiri KCP Painan', *Jurnal Program Pascasarjana*, 4(2), pp. 1–15.

16) Susanti, C. E. (2014) 'The antecedence of customer loyalty in traditional restaurants in East Java, Indonesia', *International Journal of Process Management and Benchmarking*, 4(1), pp. 22–35. doi: 10.1504/IJPMB.2014.059451.

17) Tee, K., Preko, A. and Tee, E. (2018) 'Understanding The Relationships between Service Quality, Customer Satisfaction and Loyalty: An Investigation of Ghana's Retail Banking Sector', *British Journal of Marketing Studies*, 6(2), pp. 1–19.