

**ROLE OF RELIGION MOTIVES AND BRAND IMAGE  
TOWARDS CONSUMER SATISFACTION AND CONSUMER  
LOYALTY OF ISLAMIC BANKING**

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**Abstract:**

Islamic/ sharia labelling on every product have mass impact on consumer behavior on consumption. Shari' label originally created to capture niche segment who very concern on islamic value of banking. In fact, non-moslem also interested and become loyal consumer on those product. This study address to answer what is role of religion motibes and brand image through satisfaction and loyalty in banking industry. Study found that religion motives (sharia principles) impacts brand image and plays significant role on determining consumer satisfaction and loyalty.

**Keyword:** Islamic banking, religion, brand image, satisfaction, loyalty.

## **INTRODUCTION**

Riba/ usury is forbidden in Islamic economic jurisprudence. Nevertheless the conventional banking system cannot be separated from this usury concept. Since there are many banks practice usury, the Moslem society starts to worry that this practice will inflict them.

The increasing demand on usury-free banking system leads to the establishment of sharia banking system. Moreover, sharia banks exist due to Moslems demand on Kaffah, which is banking operating activities based on the sharia, particularly focusing on the matters forbidden in Islamic economic jurisprudence such as riba/usury, maisyir (gambling and high speculation), gharar (unsure uncertainty), jahalaand the requirement to ensure the halalness of the way and object of investment. The activity of sharia bank differs from conventional bank in term of product pricing. The product pricing in sharia bank is based on the agreement between the bank and the customer as well as the type of deposit and the length of time, which later determine he amount of shared profit given to the customers.

History records that sharia banks appeared in Indonesia in early 1990s. The founding fathers of sharia bank was Indonesian Ulema Council (MUI) on 18 – 20 august 1990. The first sharia Bank in Indonesia was Bank Muamalat Indonesia (BMI) established since 1 may 1992.Sudarsono (2003) explains thatsharia bank is commonly defined as financial institution providing loans and other service related to financial transaction and money circulation on the base of sharia principles. Therefore, these banks will always deal with finance, which is their main commodity.

Perwataatmadjaand Antonio (1999) suggest thatsharia banking, also commonly known as Islamic banking, has operation system, which does not rely on interest. This institution is recognized as the financial institutionwhich the operation and product are developed based on Quran and Hadist of the Prophet Muhammad SAW.In other word, Islamic bank is a financial institution which provides loans and other service related to financial transaction and money circulation on the base of Islam sharia principles.

Some studies in the area of banking sector suggest that costumers will choose certain bank due to its existing service quality(Bloemer, de Ruyter, & Peeters, 1998; Ganguli & Roy, 2011; Siddiqi, 2011). However, Sharia banking has different realm. Aisyah et al.(2014) contend that the adherence of Islamic banks in carrying the principles of Islam is one of the important key in influencing the image of the bank and customer loyalty. In addition, Fatmah (2008) discovered the important key of religious motives in creating Islamic banks' customer satisfaction and loyalty. While shariah principles adherence has been recognized as an important

construct in the area Islamic Banking study, to date just Fatmah (2008) who has empirically investigated the effect if this construct to other constructs such as satisfaction and behavioural intention. Hence, to have a better understanding about the role of shariah principles adherence, there is a need to examine this construct further.

Apart of the adherence of Islamic Bank toward the Islam value, brand image and customer satisfaction are also recognized to have an importance role in shaping customer loyalty (Michael Daniel Clemes & Gan, 2013; Michael Daniel Clemes, Shu, & Gan, 2014; Suhartanto, Clemes, & Dean, 2013). However, just few studies have determined the interrelationships among these constructs in the context of Indonesia Islamic Banking sector. Therefore, to have a comprehensive insight about the importance of brand image and customer satisfaction in the area of Islamic Bank industry, there is a need to evaluate these constructs especially the relationships between these constructs and loyalty.

Based on these research issues, this study aims :

1. to determine the effect of sharia principles adherence of Islamic bank on customer's satisfaction and brand image
2. to examine the effect of customer's satisfaction and brand image on loyaltyand,
3. to examine the relation between customer's satisfaction and brand image

This study is expected to provide both thereotical and practical contribution. Theoretically this research benefits in examining the theoretical relationship between sharia principles adherenceand other variables well known in the area of marketing such as brand image, customer satisfaction and loyalty. For practical contribution this study benefits in providing guidance for Islamic banking to create customer loyalty and to develop a business strategy based on Islamic principles.

## **LITERATURE REVIEW**

### **Sharia Principles Adherence**

In Islamic countries, costumer interest in Islamic banking is rather due to the religious call to conduct a business transaction which is in accordance with the Islam teachings than other considerations(Mu'allim, 2003). In sharia banks, there are Islamic values and teachings therein thus creating a better distinction between them and conventional banks. In spite of using the teachings of Islam in its working process, Islamic bank also take customers from any religion and ethnic.

In Sharia banking, There are three main principles and values of Islam which as used as the foundation philosophy of conducting business (Dewi, Wirdyaningsih, & Barlinti, 2005). Those three principles are honesty (Ash-Shidiq) - honesty is to be done by every human being in every aspect of life including in mu'amalah (human relation to other beings), honesty becomes the commitment evidence on the importance of true words that can be used as basis as which parts benefit the parties having contract ( agreement) as well as the society and environment, equality (Al Mussawah) –there is an equality in trusting each other party which is set forth in a contract and becomes a determinant factor for their success relating to the rights and obligations for each other so as not to harm the profits / surplus to others, there is willingness to cooperate equally and justly as well as righteously (Al Adialah) –each contact ( transaction) should be pay attention to the sense of fairness and as far as possible to avoid a sense of unfairness (Dzalim )

In banking realm, consumer perceptions of the values given by the banks play an important role in increasing customer loyalty and satisfaction (Lewis & Soureli, 2006; Roig, Garcia, Tena, & Monzonis, 2006). Like in the realm of conventional banking, in sharia banking consumer perceptions of Islamic principles applied by the Islamic banking plays an important role in improving customer satisfaction and loyalty (Aisyah et al., 2014; Metawa & Almosawi, 1998). The higher the consumer's perception of Islamic banking capabilities in applying Islamic principles in their business, the higher the customers' satisfaction and loyalty.

In the context of marketing in the image of a company cannot be separated from its credibility. In general the credibility has a close relation with the skills and conviction. The greater the company good credibility, the more positive the image of the company. In the management of Islamic banking, the banks will have a good image if they consistently apply the concepts and principles of Islam. Therefore, the greater the perception of customer on the adherence of Islamic banking in carrying the concept and principles of Islam the more positive the image of the sharia bank.

Hence From its elaboration, this study formulate hypotheses:

- H1 : Shariah principles adherence affects customer satisfaction
- H2 : Shariah principles adherence affects brand image of banking
- H3 : Shariah principles adherence affects customers' loyalty

### Customers' satisfaction

Oliver (1999) explains that customer satisfaction results from psychological condition when emotion that surrounds the expectations does not suit the real condition and are multiplied by the emerging feelings on the experience. To satisfy customer is essential for a business organization since satisfied customer has tendency to be loyal and re-buy product from the same manufacturer (Michael D. Clemes, Gan, & Zhang, 2010; Michael Daniel Clemes et al., 2014; Suhartanto, 2011)

As a manifestation of the relationship between what was expected and perceived, customer satisfaction has a significant impact on Bank customer loyalty. Several studies have described that the higher satisfaction perceived by customers, the greater the loyalty (Beerli, Martín, & Quintana, 2004; Michael D. Clemes et al., 2010).

Besides having an important role in affecting loyalty, customer's satisfaction has a significant role in enhancing the company image. The more satisfied the customers for services rendered, the more positive the image of the company.

Hence From above discussion, this study formulate hypotheses:

H4 : Customer satisfaction significantly affect the bank's image satisfaction

H5 : Customer satisfaction significantly affect customer loyalty

### Brand Image

Kotler and Armstrong (2008) suggest that brand name, term, sign, symbol, or design, or a combination of all of these show the identity of the products and services of manufacturer or seller. From these definitions, the brand is a symbol or logo of the products or services offered by the company, which can differentiate similar products or services, the brand is a name, symbol, logo, or a term which indicates the identity of a product or service that sets it apart from competitors who plunge in the market. Customers learn about brands through their past experience upon the product and marketing program.

Brand image is about consumer perception of a brand as a reflection of brand associations that exist in the minds of consumers (Kotler & Armstrong, 2008). Perception itself is an activity sensing, integrating, and providing an assessment of the physical and social objects, and sensing depends on the physical and social stimuli in the environment.

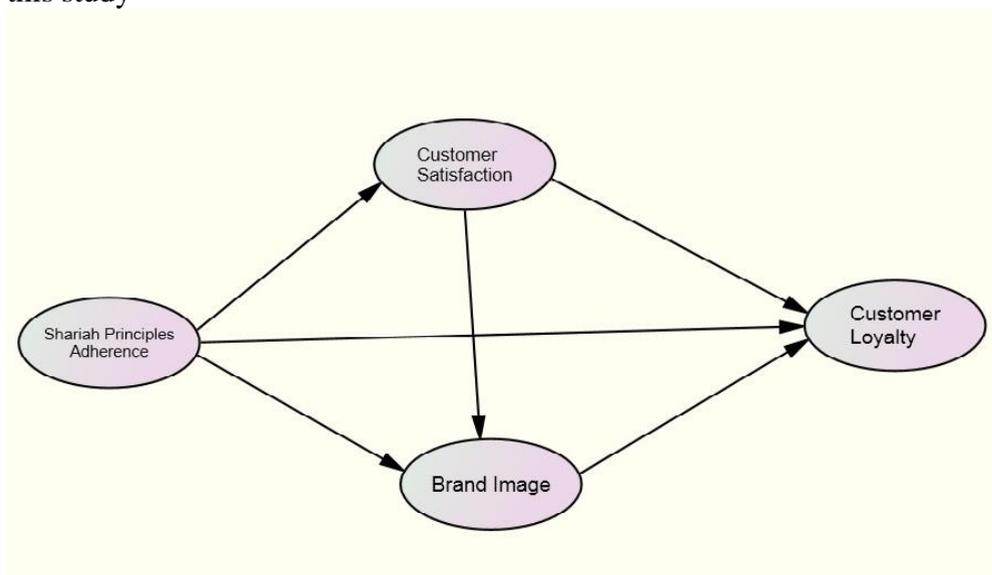
Great number of brands available on the market can provide alternatives for customer in making a purchase. In purchasing certain product customer does not only see the product on its quality, brand, and

price, but also the brand image attached to the product. The rapid growing market will encourage customer to consider more the image of the brand than characteristics of the products offered. This shows that there is a customer's tendency to prefer a product well known through the experience of using the product and based on information obtained through different sources.

Recently several empirical research has discovered that the image of a brand has a significant influence in generating loyalty. Study by Bloemer and de Ruyter (1998) finds that the general banking customers will be more loyal if the bank in which they have transaction has a positive image. In line with the study of Bloemer et al ( 1998) in retail banking industry, the bank's brand image plays significant role in affecting customer loyalty. Therefore, this study hypothesize that customer loyalty in Sharia banks are significantly influenced by the image of the bank.

H6: The image of the bank significantly affects customer loyalty.

Based on the review of literature the conceptual framework proposed in this study



**Figure 1. Research Model**

## **RESEARCH METHOD**

### Research Design

The type of research used in this study is an explanatory research and researchers implemented a survey method. In survey, statement filed in oral form is called an interview while submitted in writing is referred as

questionnaire. Researchers in this study collecting the data by implementing questionnaires.

This study uses a quantitative approach which is under the purpose of (1) quantifying the data and generalizing the results of the sample and population, (2) the number of samples that much, (3) conducted in structured, (4) data analysis by using statistic and (5) study results to provide recommendations by the customers unit analysis on whom have deposit in Sharia banks.

Samples

The respondents of this study are the customers who deposit their money in sharia bank in Malang, East Java Province, Indonesia. A total of 119 respondents participate in this study by returning the questionnaire. These respondents were recruited by using convinience sampling.

The following demographic profile emerged from the sample: 85% of the respondents are aged between 21 and 35 years, 75 % are male, 75% have tertiary education and 45% have income between Rp 2.000.000 - Rp. 5000.000 Table 1 presented the demographic of respondents of this study.

Table 1: Demography

<b>Demography</b>	<b>Items</b>	<b>Percentage</b>
<b>Age</b>	<21	3,4
	21-25	25,2
	26-30	34,5
	31-35	26,1
	36-40	8,4
	>40	,8
<b>Gender</b>	Male	75,6
	Female	22,7
<b>Income</b>	<1 million Rupiah	7,6
	1 - 2 million Rupiah	33,6
	2 - 5 million Rupiah	45,4
	>5 million Rupiah	11,8

<b>Education</b>	
High school	14,3
Diploma degree	23,5
Undergraduate degree	52,9
Graduate and Post-graduate degree	7,6

## **DATA ANALYSIS**

This study uses the Generalized Structured Component Analysis (GSCA) to analyse the data. The first step is to analyse the data to test the outer model consisting of convergent validity, discriminant validity and reliability. The second step in analysing the data is the inner test models. Test was conducted by looking at the model inner R<sup>2</sup>, FIT, and GFI. The final step is testing the hypothesis

### Outer Model Evaluation

The first evaluation outer model is to observe the value of factor loadings. In this study, the factor loading value of all question items is above 0.6. Since the factor loading value of all items is above 0.6, thus there should be no elimination on question items. In other words there is no problems concerning convergent validity (Appendix 1). The second evaluation of the outer stage model is to view problem in discriminant validity. In this study, discriminant validity is perceived from the correlation between variables. According to Kline (2011) correlation between variables must be below 0.85. Discriminant validity of the test results, the correlation between variables that have no values above 0.85. Therefore problem is not indicated in discriminant validity. The third evaluation is a reliability test. Reliability Test was observed from the Cronbach alpha value with the cut off above 0.7. Based on the reliability test, all constructs had a Cronbach alpha values above 0.7. In other words, the whole construct are reliable to be used as measurement. Table 2 summarizes the correlation value between variables and the Cronbach alpha for each construct

**Table 2: Summary of Inner Model Evaluation**

	<b>Cronbach</b>	<b>SPA</b>	<b>CS</b>	<b>BI</b>	<b>CL</b>
<b>SPA</b>	0.759	1			
<b>CS</b>	0.764	0.009 (0.080)	1		
<b>BI</b>	0.745	0.454 (0.082)*	0.284 (0.109)*	1	
<b>CL</b>	0.749	0.205 (0.091)*	0.337 (0.107)*	0.361 (0.080)*	1

Inner Model Evaluation

The inner model were analysed by observing the value of R2, FIT and GFI. On the value of R2, the provisions of cut off value is above 0.1 (Falk & Miller, 1992). This study found that the values of R<sup>2</sup> are 0.284 and 0.197. For FIT indicator, experts stated that the FIT value must be above 0.5. Nonetheless, in the model built in this study, the FIT value is 0.491. The last indicator used to indicate the outer model accuracy is a GFI. According to Hair et al. (2010), cut off from GFI is > 0.9. The GFI value in this study is 0.989.

Of the three indicators, it appears that the value of R2 and GFI are above the recommended cut-off. Therefore it can be said that a model built on this study is robust. Table 5.6 summarizes the indicators of the model.

**Table 3: Goodness of Fit Model**

<b>Model Fit</b>	
<b>FIT</b>	0.491
<b>GFI</b>	0.989
<b>R<sup>2</sup></b>	0.284
	0.197

Hypothesis Testing

This study tested the hypothesis by using a 5% confidence level ( $\alpha = 5\%$ ). At the 5% confidence level the hypothesis was tested in both directions with sample size of 120, the t-statistic value is 1.98.

Hypothesis 1 presume that the religious perception has a significant effect on customer satisfaction. Statistical tests indicate that there is no significant effect on the perception of religiosity on customer satisfaction ( $\beta = 0.009$ ;  $t = 0.11$ ). Therefore, hypothesis 1 is rejected.

The effect of religious perception on the image of the bank is formulated in hypotheses 2. The study discovered that in accordance with the hypothesis 2 that the image of the bank is significantly and positively influenced by the religious perception ( $\beta = 0.451$ ;  $t = 5.5$ ). This means that Hypothesis 2 is accepted. Since this causal relationship is positive, it means that the higher the bank's customers perception for adherence to Islamic values, the greater the customer satisfaction.

In line with its effect on customer satisfaction, religious perception does not have influence on customer loyalty ( $\beta = 0.091$ ;  $t = 0.78$ ). This means that Hypothesis 3 is rejected.

Hypothesis 4 stated that the bank's image is affected by customer satisfaction. Statistically, the study discovered that there is significant influence by the image of the bank toward customer satisfaction ( $\beta = 0.280$ ;  $t = 2.98$ ). This suggests that the more satisfied customers with the services provided, the more positive the image of the bank in the eyes of consumers. This means Hypothesis 4 is accepted. Same with the resulting effect on the bank's image, this study also discovered that customer satisfaction has a significant positive effect on customer loyalty ( $\beta = 0.267$ ;  $t = 2.5$ ). This tells us Hypothesis 5 is accepted.

Hypothesis 6 states that the bank's image is a predictor of customer loyalty. This study indicates that the customers loyalty is positively and significantly influenced by the image of the bank ( $\beta = 0.244$ ;  $t = 2.38$ ). In this case Hypothesis 6 is accepted. Thus this means that the more positive the image of a Sharia Bank, the more loyal customers of the bank. Table 3 shows the summary of Hypotheses testing

**Table 4: Hypotheses Testing**

<b>Path Coefficients</b>			
	<b>Estimate</b>	<b>SE</b>	<b>CR</b>
<b>PR-&gt;CS</b>	0.009	0.080	0.11
<b>PR-&gt;BI</b>	0.451	0.082	5.5*
<b>PR-&gt;CL</b>	0.091	0.117	0.78
<b>CS-&gt;BI</b>	0.280	0.094	2.98*
<b>CS-&gt;CL</b>	0.267	0.107	2.5*
<b>BI-&gt;CL</b>	0.244	0.102	2.38*

## **CONCLUSION**

This study discovered that customer perceptions of the bank's adherence on the values and concepts of Islam (religious perception) plays a significant role in enhancing the image of the bank. The better the perception of the customer on of the banks religiosity in doing business, the more positive the image of the bank. The image of a company is a form of manifestation on how the company applying the values espoused in business applications.

Granting that it has a significant influence on brand image, religious perception does not have a significant impact on customer satisfaction and loyalty. This finding is unexpected that even good religious perception does not give effect to satisfaction and loyalty. The possibility in deciding whether customers are satisfied or not is the services provided, the consumer is adhered to the quality of services provided. So it is not enough that Sharia banking is just to expose their religiosity. Nonetheless they likewise have to always maintain the quality of service.

In numerous theories of marketing it is stated that customer satisfaction is one of the important factors. This study also discovered that customer satisfaction partakes a significant influence in establishing positive bank image and loyalty. Customers will perceive Sharia bank as a bank having a positive image if they are satisfied with the services provided. Same with its effect on the image, the more satisfied customers of Sharia banks for services provided, the more loyal they are toward the bank. Therefore, in accordance with the existing theory, the Sharia banking should be capable of establishing satisfaction for its customers.

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