

**THE IMPACT OF *SHARIA* COMPLIANCE AND SERVICE QUALITY ON
CUSTOMER LOYALTY WITH RELIGIOSITY
AS A MEDIATING VARIABLE**

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Abstract

The objective of this research is aimed at analyzing the impact of *sharia* compliance and service quality on the loyalty of Islamic bank customers in Bogor regency with religiosity as mediating variable. This study is quantitative in nature. By using stratified random sampling, there are 277 respondents as the research sample. Structural Equation Modeling (SEM) is approached to analyze the data. The results of this research find that *sharia* compliance and religiosity partially impact on the loyalty but interestingly service quality has no significant influence on it. Furthermore, it is found that religiosity significantly mediates the influence of *sharia* compliance on the loyalty but does not mediate the impact of service quality on the customer loyalty.

Keywords: *Sharia* Compliance, Service Quality, Religiosity, Customer Loyalty.

Introduction

After the worldwide financial crisis, people are looking for better alternative financial institutions. Islamic banking, which is originally just a little-known financial experiment, has become the main choice, especially for Muslims in the world (Aysan, Disli, Duygun, & Ozturk, 2018). Together with Saudi Arabia, Qatar, Malaysia, the UAE and Turkey, Indonesia is considered as the driving force behind Islamic finance in the future. Despite having huge potential, Islamic banks that have just emerged recently are considered less popular and less experience than conventional banking because of poor service quality and customer loyalty (Kartika, Firdaus, & Najib, 2020).

If there is no guarantee of Islamic compliance from *sharia* banking operations, it is assumed that there is no significant difference found between *sharia* banking and conventional one. This problem reinforces the view that the existence of Islamic compliance in sharia banks is the main determinant in gaining loyalty from customers (Meutia, Adam & Wardhani, 2019). Compliance with *sharia* principles is the main consideration for customers to remain loyal. If customers do not consider this, it can be predicted that in the future *sharia* banks will find difficulties to sustain. For this reason, Islamic banks need to be able to prove to customers and the public that Islamic banks carry out their operations in line with *sharia* principles (Wiyono & Ibrahim, 2020).

Recent research on marketing has emphasized the importance of service quality on increasing marketing performance as the result of satisfying customer needs and increasing their loyalty (Asnawi, Sukoco, & Fanani, 2020). Service quality is supposed to be the main factor in determining business success. Service quality is the discriminant between customer assessment of perceived quality and expected quality. To maintain customer loyalty, Islamic banks need to provide superior service quality (Akbar, Tabrani, & Kusuma, 2019). Service quality of Islamic banks will create its own value for customers. Service quality is needed to maintain the customer loyalty. Simply put, if service quality is maintained the customers will not move to other banks (Rusmahafi & Wulandari, 2020).

Religiosity in Islam is not only related to worship. Religiosity refers to life guidelines, based on the pillars of Islam. In connection with economic activities or *muaamalah*, Islam teaches its people not to practice usury, gharar, and maysir (Saptasari & Aji, 2020). Customers who have high religiosity will also have high knowledge about Islamic banks. Therefore, Islamic banks should optimize the religious significance of their financial products, which in turn, leads to customer loyalty (Muslichah & Sanusi, 2019). In terms of customer behavior, it is

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not only driven by the need for banking services but also to comply the religious values, especially those who use margin rate as a substitute for interest one (Fusva, Dean, Suhartanto, Syarif, Arifin, Suhaeni, & Rafdinal, 2020).

Factors impacting loyalty in Islamic banks have been investigated by some scholars. Suhartanto et al., (2018), Dewi & Rina (2018), and Kartika et al., (2020), have investigated the impact of religiosity, trust, brand image, and customer satisfaction on loyalty. Zaerofi, Kartini & Afiff (2020) have investigated the impact of trust on customer loyalty and found that trust significantly impacts on loyalty. The impact of marketing mix and service quality on customer loyalty have been studied by Mulazid, Fadilah, & Sesunan, Y. S. (2018) and Aisyah (2018). The research has also been expanded by Wiyono & Ibrahim (2020) by adding *sharia* compliance and risk perceptions. In a recent year, a study has been conducted by Lubis, Dalimunthe, Absah & Fawzee (2021) by adding a corporate communication variable in influencing customer loyalty in Islamic banks.

The research on customer loyalty results differently. Batin (2019), Monica & Arafah (2020), Wiyono & Ibrahim (2020) suggest that service quality has no significant effect on customer loyalty. The research results contradict the research conducted by Mulazid et al., (2018), Aisyah (2018) and Lubis et al., (2021) which state that service quality at Islamic banks has a significant effect on customer loyalty.

In relation to the impact of religiosity on loyalty, the research also results differently. Research conducted by Winoto, Saporso, & Wahyoedi (2017), Suhartanto, et al., (2018) and Nurrachmi & Hafidz Hudzaefi, (2021) suggest that religiosity affects the loyalty of Islamic bank customers. However, different results were obtained by Sapetra & Rachmat (2019) and Ahmad et al., (2022) which stated that religiosity had no effect on the loyalty of Islamic bank customers. Then the research conducted by Wiyono & Ibrahim (2020) stated that *sharia* compliance had a positive effect on customer loyalty of Islamic banks. These results are in contrast to Oktaviani & Rachmawati (2019) who found that religiosity had no effect on the customer loyalty of Islamic bank.

From the above discussion, the gaps of previous research results exist. In addition, other studies have not used religiosity as a mediation on customer loyalty to Islamic banks, such as Özkan et al., (2020) which examined customer satisfaction and service quality with reputation as the mediating variable. Haron et al., (2020) examined service quality, satisfaction and loyalty with trust as a mediating variable. Ahmed et al., (2021) examined the impact of compliance on satisfaction with service quality as a mediating variable.

Research Questions

How do *sharia compliance*, service quality and religiosity affect customer loyalty in Islamic banks? And How does religiosity mediate the effect of *sharia compliance* and service quality on customer loyalty in Islamic banks?

Research Objectives

The objectives of this study are two-folds: to determine the effect of *sharia compliance*, and service quality on customer loyalty and to analyze whether religiosity mediates the impact of *sharia compliance* and service quality on customer loyalty.

Methods

Population and Sample

The population used in this study are people who live in the Bogor Regency area who have become customers at Islamic banks. Because the population in the Bogor Regency area is large, a sample is used as a representation of the existing population. The sampling method uses the Stratified random sampling method, which is a sampling technique by first making the population into several subpopulations and then taking samples from each of these subpopulations using Proportional Allocation or dividing them evenly (Ghozali, 2017). The use of this method is considered better because it makes it easier for researchers to get respondents. The results of the questionnaires that have been distributed using the google form with assisted distribution via whatsapp obtained 277 respondents who have filled in. This amount has met the standard criteria for testing using the maximum likelihood estimation technique. Table 1 presents the available respondent data

Table 1

Profile of Respondents

Characteristic	Description	Frequency	(%)
Gender	Male	145	52
	Female	132	48
Age (years)	21 – 30	113	41
	31 – 40	84	30
	41 – 50	53	19
	> 50	27	10
Education level	Junior high school	37	13
	Senior high school	77	28
	Diploma	16	6
	Undergraduate	98	35
	Master/PhD/Doctoral	49	18
Employment status	Employee	74	27

	Civil Servant	25	9
	Army/police	34	12
	Entrepreneur/Trader	106	38
	Teacher/lecturer	38	14
Duration of being consumer	< 2	36	13
	2 – 4	56	20
	5 – 7	96	35
	8 – 10	46	17
	< 10	43	16

Data analysis

This research uses data analysis method with SEM (Structural Equation Model) analysis model using IBM AMOS (Analysis of Structural Moment) software. Analysis using SEM can explain the relationship between endogenous and exogenous variables, in certain conditions each variable has an indicator or measurement (Ghozali, 2017). The use of AMOS software to adapt the SEM method is appropriate because the analysis carried out can provide more accurate results. Another advantage of using SEM is its ability to display a comprehensive model, and can confirm the dimensions of a concept or factor. Analysis Using SEM is also superior to simple regression analysis because it can easily identify when there are errors and is easily handled by SEM.

Confirmatory Factor Analysis (CFA) test

Before testing the structural model, it is necessary to first measure the latent construct for dimensions, validity, and reliability through a process known as confirmatory factor analysis. Confirmatory Factor Analysis (CFA) test was carried out using SEM on Amos using data after outliers. CFA is used to test the ability of the indicators used in the study to inform a variable with a minimum provision that an indicator has a valid loading value of > 0.5 (Ghozali, 2017).

Table 2**Variable Indicators by Loading Factor**

Constructs	Items	Loading	Cronbach's alpha
Sharia Compliance	Having a Sharia Supervisory Board	0,63	0,904
	Operational activities in accordance with sharia principles	0,93	
	Running a profit-sharing system or free from interest	0,80	
	Implementing sharia-compliant products and services	0,93	
	Using sharia brand	0,69	

Service Quality	Modern tools and equipment	0,72	0,857
	Fast service	0,86	
	Service accuracy	0,83	
	Knowledgeable staff	0,84	
	Staff appear professional	0,60	
	Provide various services	0,62	
	Compatible with conventional bank services	0,55	
	Using the latest technology	0,66	
Religiosity	Routinely perform obligatory prayers	0,92	0,950
	Fasting during the month of Ramadan	0,84	
	Pay zakat according to the specified criteria	0,85	
	Always avoid sin	0,82	
	Follow Islamic injunctions in all affairs of life	0,97	
	Keep away from illicit income	0,96	
	Read the Koran regularly	0,86	
	Routinely follow sharia economic studies	0,82	
Loyalty	Perform recurring transactions; The habit of transacting using Islamic banks	0,77	0,940
	Great preference for Islamic banks	0,94	
	Prefer Islamic banks	0,82	
	Confidence that Islamic banks are the best	0,82	
	Recommend Islamic banks to others	0,93	
	Make positive comments about Islamic banks to others	0,62	

Hypothesis Testing

Direct Test

Hypothesis testing is carried out to determine the effect of each exogenous variable individually on endogenous variables (Ghozali, 2017), with the criteria: If the significance value is <0.05 then accept hypothesis. On the other hand, if the significance value is > 0.05 , then hypothesis is rejected.

Test Through Mediation Variables

In testing using mediating variables, it is necessary to know the effect of the direct test. The mediating criterion is if the exogenous variable (X) is able to influence the mediating variable (Z) and is able to influence the variable (Y). Testing the mediation hypothesis can be done with the procedure developed by Sobel (1982) or commonly known as the Sobel test. The following is the Sobel test formula:

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$$Sab = \sqrt{b^2 Sa^2 + a^2 Sb^2 + Sa^2 Sb^2}$$

Information:

Sab : Indirect error standard (indirect effect)

a : Correlation coefficient $X \rightarrow Z$

b : Correlation coefficient $Z \rightarrow Y$

ab : Correlation coefficient multiplication result $X \rightarrow Z$ with correlation coefficient $Z \rightarrow Y$

Sa : Standard error coefficient *a*

Sb : Standard error coefficient *b*

Hypothesis Development

The relationship between *sharia* compliance and customer loyalty

Sharia compliance is a form of Islamic bank obedience in carrying out operations referring to the principles regulated by Islam and its derivative rules (Antonio, 2001). In Indonesia, the standard of *sharia compliance* refers to the fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN MUT) and internationally refers to the provisions of the Islamic Financial Services Board (IFSC). *Sharia compliance* is obliged for sharia finance industries, both bank and non-bank. The industries have to have a sharia supervisory board since the institution is bound by laws based on *sharia* principles.

Philosophically, *sharia* compliance is part of Islamic teaching and thus this philosophical understanding can be extended to the spirit of Islamic banking. Basically, the spirit of *sharia* compliance arises from the philosophy of people creation in an Islamic perspective, namely that people are born only to worship or serve to Allah SWT (Setyowati, Heradhyaksa, & Wekke, 2019).

The relationship between *sharia* compliance and loyalty is based on compliance theory, stating that customer behavior should comply with the standard rules that have been set with the hope and effort to avoid sanctions and penalties. The theory shows that *sharia* compliance is important in distinguishing between Islamic banks and conventional banks in maintaining customer loyalty. So that the proposed hypothesis is as follows:

H1: Sharia compliance affects customer loyalty

The relationship between service quality and customer loyalty

The relationship between service quality and loyalty is based on expectancy disconfirmation theory, namely satisfaction or dissatisfaction which is determined from the evaluation process in this case by the customer, where the customer's perception of the performance of a product or service is compared to the expected performance standard. This shows that the quality of service at Islamic banks will make Islamic bank customers will continue to use Islamic banks in muamalah. The quality of Islamic banking is intangible but benefits can be felt when customers use Islamic bank products within a certain period of time. So that the proposed hypothesis is as follows:

H2: Service quality affects customer loyalty

The relationship between Religiosity and customer loyalty

Muslichah & Sanusi (2019) argues that religiosity plays an important role in measuring people's attitudes towards various dubious consumption practices. Religious people tend to like products that have the same attributes as what they believe in. Thus, religion is one of the most important factors in shaping the attitudes of Islamic banking customers. religiosity is an important element because it can influence individuals in terms of cognitive and behavior. Religiosity in Islam is defined as how deep the knowledge of religion is, how strong is the faith in Allah SWT and the Messenger, how diligently is the implementation of obligatory and sunnah prayers and how deep is the appreciation of the Islam he adheres to. Customers with high religiosity have more knowledge about how Islamic banks need to provide their services based on Islamic compliance. Thus, they will have higher expectations than customers with low religiosity (Abror et al., 2020).

The relationship between religiosity and loyalty is based on the theory of planned behavior, namely behavior that is carried out by a person because of the intention to behave caused by internal and external factors, one of which is religiosity or a person's belief in the religion he believes in. Religiosity, especially in Islam, cannot be separated between worship rituals and daily life, religious beliefs tend to influence their attitudes and behavior in choosing banking products. So that the proposed hypotheses are as follows:

H3: Religiosity affects customer loyalty.

H4: Religiosity mediate the effect of sharia compliance on customer loyalty.

H5: Religiosity mediates the effect of service quality on customer loyalty.

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Results and Discussion

Customer Loyalty

Customer loyalty is generally indicated by a repeated purchase of a product or service. This concept then evolves to include the customer's behavior to recommend the product to others. In Islamic banking context, loyalty is defined as consistent patronage to customers at the Islamic banks (Wiyono & Ibrahim, 2020). Loyal customers lead to long-term benefits, as they can reduce marketing or promotional costs.

Loyalty is an individual's attitude towards products used by customers and encourages them to reuse the products since they feel satisfied. Long-term relationships with customers are economically profitable. Loyalty is needed and essential since more transactions occur to existing customers and it is easier and more affordable than to new customers (Kartika et al., 2020). Customer loyalty can be defined as an attitude of customers who are satisfied by using products in Islamic banks repeatedly (Asnawi et al., 2019). According to Shahzad (2019) Loyalty is divided into 2, namely behavioral and attitudinal loyalty. Behavioral loyalty refers to behavior of customers to repurchase while attitudinal loyalty is described as a psychological desire of customers to repurchase the product and recommend to family, friends and others.

In this study loyalty is conceptualised as the commitment of customers to Islamic banks to carry out repeated transactions in the future, even though the other banks influence them and marketing efforts have the potential to impact to switch or even not use Islamic banks anymore. Loyalty to Islamic banks is also an inseparable part of human activities which are always changing according to the environmental and social influences.

Wu, Cheng & Hussein (2019) suggest that loyalty is the commitment to repurchase in the future and the desire to recommend, tolerance for higher prices and buying another product from the organization. Fadilah et al. (2018) identified that the customer belief is a determining factor for loyalty since it will have an impact on customers to remain committed to doing the transaction with the banks in the long-term. Islamic banks are supposed to be successful if they have provided products or services to meet the ultimate goal of creating long-term loyalty.

According to Asnawi et al., (2019) customer loyalty can be indicated by using how often the customer uses the product compared to competitors and the willingness to market the product to other prospective customers. According to Fadilah et al., (2018) indicators that can be used to measure customer loyalty, adapted in Islamic banking context, are as follows;

1). Repurchasing the Islamic bank product, 2). the habit of transacting in Islamic banks, 3). great preference for Islamic banks, 4). Islamic banks determination, 5). the belief that the Islamic bank is the best, 6). recommend the Islamic banks to others; and 7). saying positive things about Islamic banks to others.

***Sharia* Compliance**

Sharia compliance refers to Islamic bank obedience in carrying out banking operations to the principles regulated by Islam and its derivative rules (Antonio, 2001). In Indonesia, the standard of *sharia* compliance is based on the fatwa of National *Sharia* Council (NSC) Indonesia Ulama Council and internationally refers to the provisions of the Islamic Financial Services Board (IFSC). *Sharia* compliance is an obligation for *sharia* finance industries, both bank and non-bank. They provide *sharia* supervisory board to ensure that the business does not contradict with *sharia* principles. Philosophically, *sharia* compliance cannot be separated from Islamic banks and thus this understanding can be extended to the origins of the spirit of *sharia* compliance and the spirit of *sharia* compliance arises from the philosophy of human creation, namely that humans are born only to worship. (Setyowati et al., 2019).

Sharia compliance is the obedience of *sharia* banks to *sharia* principles. The demand for the fulfillment of *sharia* principles, referring to the history of the development of Islamic banks, is the increasing of awareness of the Muslims who wants to carry out all their financial activities based on the *Qur'an* and *Sunnah*. Therefore, the guarantee of *sharia* compliance of fund management activities is very important (Junusi, 2011). For Islamic banking institutions, Saqib et al., (2016) suggested that *Sharia* is essential because this point has become the reason for their customers. Moreover, the reasons for *sharia* compliance of these institutions are based on religious and moral considerations as suggested by the name (*sharia* banks). They were founded in the name of religion with the main focus on ensuring that all financial affairs are carried out according to Islamic guidelines. Therefore, Islamic banks are actively pursuing total compliance with *sharia*, decisions in financial and non-financial issues should be reaffirmed by the *sharia* advisors of these institutions.

Aisyah (2018) urges that the compliance dimension does not only measure whether customers believe that in practice Islamic banks do not carry out interest-based transactions, but will also measure whether Islamic banks always carry out financial transactions which promotes the real sector rather than the financial sector, do not transact that can exploit any party and do not participate in activities that are considered detrimental to the community. The comprehensive framework clearly indicates the responsibilities of relevant stakeholder

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including the Board of Directors, Shariah board, Sharia compliance department, Auditors and managers. The establishment of an independent *Shariah* Audit Unit for internal audit has been issued by the Central Bank. In addition, National *Sharia* Board has accredited *Sharia* External Audit as one of the requirements for Islamic financial institutions along with regular annual audits (Saqib et al., 2016).

Ahmed et al., (2021) asserts that *sharia* compliance is not the hinder to the competitiveness of Islamic banks. Islamic banks should increase the knowledge of sharia among their employees to provide better services to customers. Many customers are attracted to Islamic banking just because of their religious beliefs. Customers do not really care about the financial impact (profit), but they care about the bank's sharia compliance and service quality. Islam strictly prohibited transactions involving usury (interest), *gharar* (speculation) and gambling, but there are still many trading practices that do not comply with Islamic teachings. Therefore, it is significant for Islamic banks to honestly disclose any income that is considered lawful and which is prohibited in Islam. Islamic banks must receive income only from halal sources.

From the above discussion, it can be interpreted that sharia compliance is the obedience of sharia banks to sharia principles. The application in this case is a practice or implementation while the principle is the basis. Sharia compliance is also closely related to the implementation of daily business operational guidelines based on sharia values. Islamic banks refer to the banks that operate according to the principles of sharia or the banks that operate according to the provisions of the Qur'an and Al Hadith. *Sharia* compliance has been practised to both financial and non-financial products and services including insurance, tourism, consumer staples, and food and beverages.

Wiyono and Ibrahim (2020) reveal the indicators to measure sharia compliance are as follows: 1). having a Sharia Supervisory Board, 2). operational activities in accordance with sharia principles, 3). running a profit-sharing system or free from interest, 4). implementing sharia-compliant products and services, 5). using *sharia* brand.

Service Quality

Service quality is the overall characteristics and characteristics of a product or service that are supported by the ability to satisfied people needs, either implicitly or explicitly (Koller & Keller, 2008). Quality is an overall assessment standard of good service. While services can be defined as all forms of activities provided by one or more parties which is aimed at providing satisfaction to the second party or parties. Service means 2 people or groups of

people who need each other and have interconnection. Therefore, the roles and functions attached to each of these people or group of people are different. According to Bagoes & Racmat (2019) service quality is defined as a result of perceptions and comparisons between customer expectations and actual service performance. Simply put, it has 2 main factors; namely the expected experience and the service received.

Shahzad (2019) explains that service quality is a marketing tool used in businesses to increase their sales and this is not enough for organizations to survive in the market. In Islamic banking context, product quality and best knowledge of Islamic banking products, which means a proper awareness system should also be taken into consideration. The best quality service provided to customers is supposed to be the main factor in Islamic banking sector, for that it is necessary to make a strategy so that Islamic banking has loyal customers. The success of each product and service highly depend on customer acceptance and satisfaction. In Islamic banking products, customers are very concerned about the quality of existing services. Customers will feel confident in Islamic banks if the funds they deposit can be maintained in accordance with existing standards (Saqib et al., 2016).

Customers assess service quality in the basis of their perception of the technical outcomes that constitute the process by which the products are delivered. There are various definitions of service quality because quality has a relative measure of goods or service that is judged from the design, attributes, and suitability of the customers. According to Asnawi et al., (2019) the efforts made to develop a service quality measurement scale need to be adapted to local culture in order to be able to create a better level of customer loyalty to Islamic banks. It could be concluded that service quality is the overall characteristics of a product that has the ability to satisfy customer needs and desires and the accuracy of delivery to meet customer expectations (Akbar et al., 2019). Quality measurement in the banking sector is important because banks do not offer physical products (being a service-oriented business). Each customer has different needs and is served differently, and this service is offered by the bank and disbursed by the customer simultaneously because it cannot be stored, checked, or sent (Saqib and Farooq, 2016).

In Islamic banks, service quality is the ability of Islamic banks to meet the expectations of customers who use their services and products. The point is that banks provide banking services to their customers with fair profit sharing (Suhartanto, et al., 2020). Thus, service quality in the context of Islamic banking can be defined as the ability of Islamic banks to provide products or services as expected by customers or even beyond customer

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expectations. Suhartanto et al., (2020) describe indicators that can be used to represent service quality in Islamic banking, namely: 1). modern tools and equipment, 2). fast service, 3). service accuracy, 4). knowledgeable staff, 5). professional staff, 6). providing various services, 7). compatible with conventional bank services and 8). using the latest technology.

Religiosity

Muslihah & Sanusi (2019) suggest that religiosity plays an important role in measuring people's attitudes towards various consuming practices. Religious people tend to prefer products that have the same attributes as what they believe in. Thus, religion is one of the most determining factors in shaping the attitudes of Islamic bank customers. Religiosity is an important element because it can impact individuals both cognitively and behaviorally. Religiosity in Islam refers to how deep the knowledge of religion is, how strong faith in Allah SWT and the Messenger is and how far the implementation of obligatory and sunnah prayers is. Customers with higher religiosity have more knowledge on how Islamic banks need to provide their services based on Islamic compliance. Thus, they will have higher expectations than customers with lower religiosity (Abror, Patrisia, Engrian, Evanita, Yasri & Dastgir, 2019).

Maintaining religiosity means maintaining the faith in Allah SWT and obeying the rules set by Allah SWT. This definition implies that religiosity is an indicator of a person's commitment from his/her religion. Personal commitment to obey Allah SWT can impact not only personal and social activities, but also in making decisions in selecting and consuming products (Suhartanto et al., 2020). If customers perceive Islamic banking services reflect *sharia* values, their attitude will be better towards Islamic banks. Barus et al., (2021) explain religiosity in a marketing context emphasizes the Islamic principles, *Aqidah*, *Sharia*, and *Akhlak*.

Religiosity becomes part of personal characteristics which describes personality as an internalization of religious values obtained from religious learning throughout his life. Based on the customer's religiosity in banking transaction, the faith is an awareness that every banking transaction has an accountability to Allah SWT. *Sharia* compliance implies that economic transactions are carried out in accordance with Islamic teaching which places economic activities as the main goal of achieving people prosperity. Islamic values will guide economic activities to always prioritize the principle of goodness as a means of achieving goals.

Religiosity has 2 dimensions, namely religious beliefs and practices. Religious belief refers to what people believe about all activities based on their religious thought; Meanwhile, religious practice is connected to how they implement each activity based on their religious values. In the context of Islam, an example of religious belief is their belief that Allah SWT will help them (Abror et al., 2019). The religiosity factor also causes customers to adopt Islamic banks compared to conventional banks even though Islamic bank products and services still have drawbacks. Therefore, product and service innovation are also supposed to be an important focus for Islamic banks in order to compete with conventional banks (Bagoes & Racmat, 2019).

Based on the above discussion, it is concluded that religiosity refers to conscience to Allah SWT which is manifested in various aspects of life in the form of quantity and quality of worship and *Akhlak* to Allah SWT, relationships with other people, and relationships with the environment. According to Suhartanto et al. (2020) the indicators used in religiosity include; 1). regularly performing obligatory prayers, 2). fasting during *Ramadan*, 3). paying zakat according to the specified criteria, 4). always avoiding sin, 5). following Islamic commands in all aspect of life, 6). keeping away from illicit income and 7). regularly reading the Koran.

CFA test results

Confirmatory analysis was carried out between exogenous and endogenous variables. The model to be studied has 2 (two) endogenous variables, namely religiosity and loyalty. While the model in this study has 2 (two) exogenous variables, namely sharia compliance and service quality. For the standardized loading estimate output results, all loading factors are already above 0.50. So it can be concluded that the construct of the sharia compliance variable has met the criteria and can be continued with the next test.

Structural model test results

The test is to assess the feasibility of the structural model that has been made whether it meets the criteria that have been set based on goodness of fit. In the first test, it was found that the results of testing the structural model in the study were not good, for that the next step was needed, namely improving the model by modifying the existing model. Modification of the model can be done by connecting existing indicators, for that it is necessary to know the output data produced by SEM Amos, namely indicators that have large modification indices values. After modifying the model, namely by connecting indicators that have large

modification indices values. Modifications are made so that the model being tested in the study has a Goodness of Fit value in accordance with the existing criteria.

Table 3
Goodness of Fit (GOF) Index Test Results

<i>Goodness of Fit Index</i>	<i>Cut off Value</i>	<i>Result</i>	<i>Information</i>
<i>Chi-Square</i>	Expected Small	4,112	<i>Good Fit</i>
<i>Significancy Probability</i>	$\geq 0,05$,096	<i>Good Fit</i>
RMSEA	$\leq 0,08$,042	<i>Good Fit</i>
GFI	$\geq 0,90$,957	<i>Good Fit</i>
AGFI	$\geq 0,90$,914	<i>Good Fit</i>
CMIN/DF	$\leq 2,00$	1,764	<i>Good Fit</i>
TLI	$\geq 0,90$,938	<i>Good Fit</i>
CFI	$\geq 0,90$,952	<i>Good Fit</i>

Source: Primary data processed, 2021

After modifying the model, it can be seen in table 4.11 that all the criteria for goodness of fit have been met. So it can be concluded that the existing model has met the criteria and can be used in research.

Hypotheses testing

Direct test

Table 4
Regression weights

			Estimate	S.E.	C.R.	P	Result
Loyalty	<---	Sharia compliance	.334	.294	1.135	.003	Significant
Loyalty	<---	Service quality	.366	.202	1.812	.070	Not significant
Loyalty	<---	Religiosity	1.032	.119	8.648	***	Significant

Source: Primary data processed, 2021

Based on the results of the tests that have been carried out, it can be seen in table 4.2, the effect of sharia compliance on loyalty with a C.R value of 1.135 and a probability value (P) of .003 < 0.05. In accordance with the criteria that have been set, if the significance

value < 0.05 then accept H1 namely sharia compliance has an effect on customer loyalty of Islamic banks. These results are in accordance with compliance theory, namely as a form of obedience to Islamic religious orders that require a person to leave everything that is prohibited in order to avoid sin. The compliance of Islamic banks with applicable laws such as having a DPS, operating according to Islamic principles, free of interest makes customers feel that Islamic banks are the right choice for transactions. Customer loyalty can be seen from their habit of transacting and repeatedly using Islamic banks, and positive comments explaining that customers are loyal because Islamic banks are in accordance with sharia principles. This further strengthens the view that the existence of sharia compliance in Islamic banks is a necessity for the community.

The effect of service quality on loyalty with a C.R value of 1.812 and a probability value (P) of $.070 > 0.05$. In accordance with the criteria that have been set, if the significance value > 0.05 then rejects H2 that is, service quality has no effect on customer loyalty of Islamic banks. These results are contrary to the expectancy disconfirmation theory, where satisfaction or dissatisfaction is determined from the evaluation process in this case by the customer, such as the customer's perception of the performance of a product or service compared to the expected performance standard. Although Islamic banks in Bogor Regency have used modern tools and equipment, fast service, good accuracy, professional staff and are also compatible with conventional banks do not make customers loyal. This is because customers at the Bogor Regency Islamic banks prefer to use Islamic banks as a medium for transactions in accordance with Islamic principles. Customers do look for these sharia principles in Islamic banks, because they prefer Islamic banks not because of better quality. The effect of service quality on customer loyalty is strengthened by the results of interviews conducted by researchers to several respondents who were met directly at branch offices of Islamic banks. The effect of religiosity on loyalty with a C.R value of 8,648 and a probability value (P) of $0.000 < 0.05$. In accordance with the criteria that have been set, if the significance value < 0.05 then accept H3 that is religiosity has an effect on customer loyalty of Islamic banks. These results are in line with the theory of planned behavior where the behavior carried out by a person arises because of the intention to behave caused by various factors, one of which is one's religiosity or belief in the religion he believes in. Customers who routinely perform obligatory prayers, fast in Ramadan, pay zakat, avoid sins, regularly read the Koran and diligently follow sharia economic studies have loyalty to Islamic banks. These customers tend to make repeated transactions, believe that Islamic banks are the best choice and always make

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positive comments about Islamic banks. Religiosity, especially in Islam, cannot be separated between worship rituals and daily life, religious beliefs tend to influence their attitudes and behavior in choosing banking products.

Test through mediation variables

Table 5
Mediation test results

	Zsobel Count	Result	P-Value
Compliance --> Religiosity --> Loyalty	2,681	Significant	0,007
Quality --> Religiosity --> Loyalty	1,826	Not significant	0,067

Source: Primary data processed, 2021

Based on the results of the tests that have been carried out, it can be seen in table 4.3 that the Sobel test value is $2.681 > 1.96$ and the P-Value is $0.007 < 0.05$. In accordance with the criteria that have been set, accept H4 that religiosity is a mediating variable between the influence of sharia compliance on customer loyalty. Religiosity can be a mediation in influencing someone's loyalty to use Islamic banks, the role of religiosity is as a sharia foundation that is owned in understanding muamalah in accordance with Islamic law. People who have high religiosity and understand the role of sharia supervisors in Islamic banks, always use Islamic banks in transactions. The need for banking services in accordance with sharia principles is very much needed among people who have high religiosity. Compliance with the principles and operational activities of Islamic banks is important in maintaining the loyalty of customers who have high religiosity, so that Islamic banks become the best choice for those who need banking services but are free from all things that are prohibited in Islam. And the role of religiosity which mediates in the beliefs of customers, becomes a reinforcement in influencing loyalty to Islamic banks. Customers with a high level of religiosity tend to understand the role of the duties and responsibilities of the Sharia Supervisory Board in ensuring that sharia bank activities remain in accordance with sharia principles.

The last result obtained is that the Sobel test value of service quality on customer loyalty is $0.231 >$ from the indirect effects value of 0.175 and the P-Value value of $0.067 > 0.05$. In accordance with the established criteria, if the value of direct effects $>$ indirect effects then reject H5, the result is that religiosity does not mediate the effect of sharia compliance on customer loyalty. Good service quality will provide various conveniences and conveniences

in transacting using banking, but customers with high religiosity do not really care about this quality. They prefer sharia banks that are in accordance with sharia principles, because if they rely on service quality, many conventional banks provide better and more quality services. The quality of Islamic banks should have quality and be able to compete with other banks, but keeping it in accordance with sharia principles is the main thing that cannot be separated. Religiosity does not act as a mediation between service quality and loyalty because customers in Bogor Regency do not seek the best service for Islamic banks. If Islamic banks only focus on good service and ignore sharia principles in their products, then the assumption that Islamic banks are the same as conventional banks is true.

Religiosity does not mediate the effect of service quality on customer loyalty because customers at Islamic banks need services that are in accordance with sharia principles, but still have a quality that is not too bad. In this case, Islamic banks must maintain sharia principles from the products and services provided, so that religious customers make Islamic banks their main choice in muamalah. The most significant difference between Islamic banks and conventional banks is that Islamic principles are the basis for Islamic bank products and services, customers with a high level of religiosity will be more loyal to using Islamic banks because of these sharia principles. The point is that customers respond more if Islamic banks improve sharia compliance rather than improve the quality of their services, because loyal customers are customers with a good level of religiosity and understanding of sharia.

Conclusion

From the results of the tests that have been carried out, various conclusions can be obtained. Sharia compliance and religiosity have an effect on customer loyalty, while service quality has no effect on customer loyalty for sharia banks in Bogor Regency. In testing using a mediating variable, namely religiosity, it can have an influence as a mediating variable on sharia compliance with loyalty, but religiosity does not have an effect as a mediating variable on service quality on loyalty. The results of the study provide an explanation that Islamic bank customers remain loyal because Islamic banks maintain operational activities in accordance with sharia compliance. Loyalty to customers is also strengthened by the level of religiosity they have, customers who are increasingly committed to their religion tend to increase their loyalty as sharia bank customers. The increasing quality of services provided by Islamic banks does not guarantee that customers will be more loyal, customers have given strong reasons that they have chosen Islamic banks for transactions because they have committed to avoid

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things that are prohibited in their religion. The loyalty of Islamic bank customers is not driven by how the service is provided, because the influence of religiosity on loyalty is higher than service quality. In this case, the sharia compliance factor has given a significant influence in influencing customer loyalty either directly or through mediating variables. Customers tend to believe that sharia compliance can prevent Islamic banks from engaging in various practices that are prohibited in Islam. This study only covers sharia compliance and service quality of Islamic banks as well as religiosity in influencing customer loyalty to depositors. The scope of research that focuses on Bogor Regency cannot be used as a reference for Islamic banks nationally, the characteristics of customers in other regions are very likely to have differences so that the research results are not general in nature. The use of the sample in the study as a whole does not necessarily reflect the actual situation. Research journals related to religiosity as an intermediary for Islamic bank customer loyalty are also still very limited from journals whose validity can be justified.

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