

## Determinants of Customer Loyalty in Islamic Banking: The Mediating Role of Customer Satisfaction

Muhammad Daffa Dhiya'ulhaq<sup>1</sup>, Rika Lidyah<sup>2</sup>, Chandra Zaki Maulana<sup>3</sup>

Universitas Islam Negeri Raden Fatah Palembang

Email: [daffadhiayaulhaq63@gmail.com](mailto:daffadhiayaulhaq63@gmail.com), [rikalidyah\\_uin@radenfatah.ac.id](mailto:rikalidyah_uin@radenfatah.ac.id),  
[chandrazakymaulana\\_uin@radenfatah.ac.id](mailto:chandrazakymaulana_uin@radenfatah.ac.id)

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### ***Abstract***

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*This study aims to examine the influence of Shariah compliance, corporate image, and relationship marketing on customer loyalty, with customer satisfaction as an intervening variable in Islamic banking. A quantitative approach with an explanatory research design was employed. Data were collected through structured questionnaires distributed to customers and analyzed using Structural Equation Modeling with the Partial Least Squares (SEM-PLS) technique. The results show that Shariah compliance, corporate image, and relationship marketing have significant positive effects on customer loyalty. In addition, these variables significantly influence customer satisfaction, which is found to have the strongest effect on customer loyalty. The mediation analysis reveals that customer satisfaction significantly mediates the relationship between Shariah compliance, corporate image, relationship marketing, and customer loyalty. This indicates that improving customer satisfaction is a key mechanism in strengthening customer loyalty. In conclusion, Islamic banks need to integrate Shariah compliance, enhance corporate image, and implement effective relationship marketing strategies to improve customer satisfaction and sustain long-term customer loyalty.*

**Keywords:** *Shariah compliance, corporate image, relationship marketing, customer satisfaction, customer loyalty, Islamic banking*

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## INTRODUCTION

The rapid advancement of information technology has intensified competition in the global business environment, including the banking industry. Islamic banking institutions are required not only to compete with conventional banks but also to maintain their distinctiveness by consistently implementing Shariah principles in their operations. In this increasingly competitive landscape, customer loyalty becomes a crucial determinant of long-term sustainability and competitive advantage, as loyal customers tend to continue using services and contribute to positive word-of-mouth promotion (He & Lai, 2014; Lee & Lee, 2013).

The development of Islamic banking in Indonesia has shown a significant upward trend in recent years, driven by the growing awareness of Muslim communities to utilize financial services that comply with Islamic values. However, despite this growth, the market share of Islamic banking remains relatively limited compared to conventional banking, indicating that there is still substantial room for improvement, particularly in attracting and retaining customers (Otoritas Jasa Keuangan, 2023). In this context, customer loyalty is not only reflected in repeated transactions but also in customers' willingness to maintain relationships with the bank and resist switching to competitors (Oliver, 1997).

Customer satisfaction is widely recognized as a key factor influencing customer loyalty. Satisfaction occurs when customers perceive that the performance of a product or service meets or exceeds their expectations. Therefore, understanding the determinants of satisfaction is essential for Islamic banking institutions to enhance customer loyalty effectively (Mismiwati, 2016).

One of the fundamental factors affecting customer behavior in Islamic banking is Shariah compliance. Shariah compliance refers to the extent to which banking operations adhere to Islamic principles, including the prohibition of *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling), as well as the implementation of ethical and equitable financial practices (Ascarya, 2015). For Muslim customers, adherence to these principles is not only a financial consideration but also a religious obligation, making Shariah compliance a critical element in building trust and influencing customer decisions (Sukma et al., 2023).

In addition to Shariah compliance, corporate image plays an important role in shaping customer perceptions and behavior. Corporate image reflects the reputation, credibility, and professionalism of a banking institution in the eyes of the public. A positive corporate image enhances customer trust and confidence, which in turn strengthens long-term relationships and encourages customer loyalty (Nurudin, 2018).

Furthermore, relationship marketing is considered a strategic approach in maintaining long-term interactions between banks and their customers. Relationship marketing focuses on building trust, effective communication, and emotional connections, enabling banks to better understand customer needs and provide personalized services. This approach not only increases customer satisfaction but also fosters stronger loyalty (Kotler & Keller, 2016).

However, the influence of these factors on customer loyalty is not always direct. Customer satisfaction often acts as an intervening variable that bridges the relationship between Shariah compliance, corporate image, relationship marketing, and customer loyalty. Customers who experience higher levels of satisfaction are more likely to develop loyalty, while dissatisfaction may lead to switching behavior. Previous studies have shown inconsistent findings regarding the mediating role of satisfaction, indicating the presence of a research gap that needs further investigation (Oktapiani & Anggraini, 2020).

Based on these considerations, this study aims to analyze the influence of Shariah compliance, corporate image, and relationship marketing on customer loyalty, with customer satisfaction as an intervening variable. This research is conducted in the context of Bank Sumsel Babel (BSB) Sharia Branch Palembang, which operates in a competitive environment and must continuously enhance service quality, maintain Shariah principles, and strengthen its corporate image to sustain customer loyalty.

## METHODS

This study adopts a quantitative approach with an explanatory research design to examine the causal relationships between variables. The explanatory design is intended to test the influence of Shariah compliance, corporate image, and relationship marketing on customer loyalty, with customer satisfaction acting as an intervening variable. A quantitative method is appropriate for this study because it allows for objective measurement of variables and statistical testing of hypotheses to explain relationships among constructs (Creswell, 2014).

The research variables consist of independent, dependent, and intervening variables. The independent variables include Shariah compliance, corporate image, and relationship marketing, while customer loyalty is positioned as the dependent variable and customer satisfaction as the intervening variable. Shariah compliance refers to adherence to Islamic principles in financial transactions, including the prohibition of interest and unethical practices (Dusuki & Abdullah, 2007). Corporate image reflects customers' overall perception of a company's reputation and credibility (Nguyen & Leblanc, 2001). Relationship marketing emphasizes long-term engagement through trust, communication, and commitment (Morgan & Hunt, 1994). Customer satisfaction is defined as a customer's evaluation of a product or service based on expectations and perceived performance (Oliver, 1997), while customer loyalty is characterized by repeat patronage and positive recommendations (Griffin, 2015).

The population of this study includes customers of an Islamic banking institution, specifically those who have experience using banking services. Due to the large and unspecified population size, a sampling technique is applied. This study uses purposive sampling, which selects respondents based on specific criteria relevant to the research objectives, such as active customers with sufficient experience in using banking services. This technique ensures that the selected respondents can provide reliable and meaningful data (Sekaran & Bougie, 2016).

Data collection is conducted using primary and secondary data sources. Primary data are obtained through structured questionnaires distributed to respondents using a Likert scale to measure perceptions of each variable. The questionnaire method is widely used in quantitative research because it enables efficient data collection and standardized responses (Hair et al., 2019). In addition, observation and documentation are used as supporting techniques to provide contextual understanding. Secondary data are gathered from academic journals, books, and official publications related to Islamic banking and customer behavior to strengthen the theoretical foundation of the study.

Data analysis in this study employs Structural Equation Modeling (SEM) using the Partial Least Squares (PLS) approach. SEM-PLS is considered suitable for analyzing complex relationships involving multiple variables and mediating effects, particularly when the research model includes latent constructs (Hair et al., 2017). The analysis consists of two main stages: the evaluation of the measurement model (outer model) and the structural model (inner model). The outer model is used to assess validity and reliability through indicators such as convergent validity, discriminant validity, and composite reliability. Meanwhile, the inner model is used to evaluate the relationships between variables and test the proposed hypotheses using path coefficients and significance values.

Through this method, the study aims to provide empirical evidence on how Shariah compliance, corporate image, and relationship marketing influence customer loyalty both directly and indirectly through customer satisfaction.

## RESULTS AND DISCUSSION

Table 1  
*Measurement Model Validity and Reliability*

Variable	Loading Factor	Composite Reliability	AVE
Shariah Compliance	> 0.70	0.89	0.62
Corporate Image	> 0.70	0.91	0.65
Relationship Marketing	> 0.70	0.90	0.63
Customer Satisfaction	> 0.70	0.92	0.67
Customer Loyalty	> 0.70	0.93	0.69

Source: Processed Data (2026)

The results show that all indicator loadings exceed 0.70, indicating good convergent validity. The Average Variance Extracted (AVE) values are above 0.50, confirming that each construct explains more than half of the variance of its indicators. Composite reliability values above 0.70 indicate that all constructs are reliable (Hair et al., 2017). Therefore, the measurement model meets the criteria of validity and reliability.

## Hypothesis Testing

Table 2

*Hypothesis Testing Results*

Relationship	Path Coefficient	t-Statistic	p-Value	Result
Shariah Compliance → Customer Loyalty	0.21	2.45	<0.05	Supported
Corporate Image → Customer Loyalty	0.25	2.98	<0.01	Supported
Relationship Marketing → Customer Loyalty	0.19	2.12	<0.05	Supported
Shariah Compliance → Customer Satisfaction	0.32	3.87	<0.01	Supported
Corporate Image → Customer Satisfaction	0.28	3.45	<0.01	Supported
Relationship Marketing → Customer Satisfaction	0.30	3.76	<0.01	Supported
Customer Satisfaction → Customer Loyalty	0.41	4.95	<0.01	Supported

Source: Processed Data (2026)

The results indicate that all direct relationships are statistically significant. Shariah compliance, corporate image, and relationship marketing each have a positive and significant effect

on customer loyalty. Additionally, all three independent variables significantly influence customer satisfaction. Customer satisfaction itself has the strongest direct effect on customer loyalty.

### Mediation (Indirect Effect) Testing

Table 3

*Mediation Effect Results*

Relationship (Indirect)	Path Coefficient	t-Statistic	P-Value	Result
Shariah Compliance → Satisfaction → Loyalty	0.13	3.02	<0.01	Supported
Corporate Image → Satisfaction → Loyalty	0.11	2.85	<0.01	Supported
Relationship Marketing → Satisfaction → Loyalty	0.12	2.97	<0.01	Supported

Source: Processed Data (2026)

The mediation test results show that customer satisfaction significantly mediates the relationship between all independent variables and customer loyalty. This indicates that the influence of Shariah compliance, corporate image, and relationship marketing on loyalty is strengthened through customer satisfaction.

### Discussion

The findings of this study provide a comprehensive understanding of the determinants of customer loyalty in Islamic banking, particularly through the roles of Shariah compliance, corporate image, relationship marketing, and customer satisfaction as an intervening variable. The results confirm that customer loyalty is not shaped by a single factor but rather by a combination of religious, perceptual, and relational dimensions that interact with one another. These findings contribute to both theoretical and practical perspectives by demonstrating how Islamic banking institutions can strategically enhance customer loyalty in an increasingly competitive financial environment.

The results confirm that Shariah compliance has a significant effect on customer loyalty, indicating that adherence to Islamic principles is a fundamental factor influencing customer trust and long-term commitment. In Islamic banking, Shariah compliance is not merely a regulatory obligation but a core value that defines the identity of the institution. Customers who choose Islamic banking services are often motivated by religious considerations, and therefore, compliance with Islamic principles becomes a critical determinant of their loyalty. This result is consistent with previous studies suggesting that religious compliance plays a critical role in Islamic banking customer behavior (Dusuki & Abdullah, 2007). When customers perceive that a bank consistently adheres to Shariah principles, they are more likely to trust the institution, feel secure in their transactions, and maintain long-term relationships.

Furthermore, Shariah compliance enhances not only loyalty but also customer satisfaction. Customers who believe that their financial activities align with their religious values tend to experience psychological comfort and moral satisfaction. This reinforces their overall satisfaction with the banking services provided. Previous studies have also emphasized that ethical and religious compliance contributes significantly to perceived service value and customer satisfaction in Islamic banking (Amin & Isa, 2008). Therefore, Shariah compliance can be understood as both

a functional and emotional driver of customer behavior, strengthening both satisfaction and loyalty simultaneously.

In addition, Shariah compliance serves as a unique differentiating factor that distinguishes Islamic banks from conventional banks. In a competitive financial landscape, differentiation is crucial for customer retention. By emphasizing strict adherence to Islamic principles, Islamic banks can position themselves as ethical and trustworthy institutions. This differentiation not only attracts new customers but also strengthens the commitment of existing customers. As highlighted by Haniffa and Hudaib (2007), the ethical identity of Islamic banks plays a significant role in shaping stakeholder perceptions and enhancing organizational credibility.

Corporate image is also found to significantly influence customer loyalty. A positive corporate image enhances customer confidence and strengthens emotional attachment to the bank. In the context of financial services, where perceived risk is relatively high, corporate image becomes a critical factor in reducing uncertainty and building trust. Customers tend to prefer institutions with strong reputations, as they are perceived to be more reliable and capable of delivering consistent service quality. This supports the argument that corporate reputation is a key driver of customer retention (Nguyen & Leblanc, 2001).

Moreover, corporate image has both direct and indirect effects on customer loyalty. Directly, a positive image fosters trust and emotional attachment, encouraging customers to remain loyal. Indirectly, corporate image influences customer satisfaction, which in turn strengthens loyalty. Customers who perceive a bank as reputable and professional are more likely to feel satisfied with its services. This finding is consistent with the work of Andreassen and Lindestad (1998), who found that corporate image significantly influences customer satisfaction and loyalty in service industries. In Islamic banking, corporate image is closely linked not only to service quality but also to ethical values and Shariah compliance. Therefore, maintaining a strong corporate image requires a holistic approach that integrates operational excellence with ethical and religious integrity.

In addition, corporate image contributes to customer loyalty by creating a sense of pride and emotional connection among customers. When customers associate themselves with a reputable institution, they are more likely to develop a sense of belonging and commitment. This emotional bond further strengthens loyalty and reduces the likelihood of switching to competitors. Therefore, Islamic banks should invest in building a strong and positive corporate image through consistent branding, transparency, and social responsibility initiatives.

Relationship marketing demonstrates a significant effect on both customer satisfaction and customer loyalty, emphasizing the importance of maintaining strong, trust-based relationships with customers. Relationship marketing focuses on long-term engagement rather than short-term transactions, highlighting the importance of trust, commitment, and communication. The significant effect observed in this study indicates that customers value personalized interactions and continuous engagement with their bank. This finding is aligned with the commitment-trust theory proposed by Morgan and Hunt (1994), which states that trust and commitment are key mediators in successful relationship marketing.

Effective relationship marketing strategies, such as personalized services, proactive communication, and responsiveness to customer needs, enhance customer satisfaction by creating positive service experiences. When customers feel valued and understood, they are more likely to develop positive attitudes toward the bank. These positive experiences accumulate over time, leading to stronger emotional bonds and long-term loyalty. Furthermore, relationship marketing

reduces customer switching behavior by increasing switching costs, both economic and psychological (Palmatier et al., 2006).

In the context of Islamic banking, relationship marketing can be further enriched by incorporating Islamic values such as honesty, fairness, and mutual respect. These values align with the ethical principles of Islam and enhance the authenticity of customer relationships. By integrating these values into their relationship marketing strategies, Islamic banks can strengthen customer trust and satisfaction, ultimately leading to higher loyalty. Therefore, relationship marketing should not be viewed merely as a marketing strategy but as a value-based approach that reflects the ethical identity of Islamic banking.

Another important finding of this study is the significant role of customer satisfaction as a mediating variable. Customer satisfaction is found to have the strongest influence on customer loyalty, confirming its central role in shaping customer behavior. This finding is consistent with expectation-confirmation theory, which suggests that customer satisfaction is determined by the comparison between expectations and perceived performance (Oliver, 1997). When customers perceive that the services provided meet or exceed their expectations, they are more likely to develop loyalty.

The mediation analysis reveals that customer satisfaction significantly mediates the relationships between Shariah compliance, corporate image, relationship marketing, and customer loyalty. This indicates that the effects of these variables on loyalty are partially transmitted through satisfaction. In other words, improvements in Shariah compliance, corporate image, and relationship marketing will enhance customer satisfaction, which in turn strengthens customer loyalty. This finding is consistent with previous studies highlighting the mediating role of satisfaction in the relationship between service quality and loyalty (Caruana, 2002).

The strong mediating role of customer satisfaction also highlights the importance of delivering high-quality services that meet customer expectations. While factors such as Shariah compliance and corporate image are important, their impact on loyalty is significantly enhanced when customers feel satisfied with the services provided. Therefore, Islamic banks must prioritize customer satisfaction as a key strategic objective.

From a theoretical perspective, these findings support the application of the Theory of Planned Behavior (TPB) in understanding customer behavior in Islamic banking. According to TPB, behavior is influenced by attitudes, subjective norms, and perceived behavioral control (Ajzen, 1991). In this study, Shariah compliance reflects subjective norms related to religious beliefs, corporate image represents customer attitudes toward the bank, and relationship marketing influences perceived behavioral control through ease of interaction and service accessibility. Customer satisfaction acts as a reinforcing mechanism that strengthens behavioral intentions, leading to customer loyalty.

From a managerial perspective, the findings of this study offer several important implications. First, Islamic banks must ensure strict adherence to Shariah principles across all aspects of their operations. This includes transparent financial practices, compliance with Islamic laws, and continuous monitoring by Shariah supervisory boards. By doing so, banks can build trust and enhance customer satisfaction.

Second, banks should focus on strengthening their corporate image by maintaining high standards of service quality, transparency, and ethical conduct. Corporate social responsibility initiatives can also play a significant role in enhancing corporate image and building customer trust.

Third, banks should implement effective relationship marketing strategies that prioritize customer engagement and personalization. This includes improving communication channels, providing responsive customer service, and understanding individual customer needs. By building strong relationships, banks can enhance customer satisfaction and reduce customer churn.

Finally, the central role of customer satisfaction suggests that banks should continuously evaluate and improve their services based on customer feedback. By ensuring that customer expectations are consistently met or exceeded, banks can create positive customer experiences that foster long-term loyalty.

In conclusion, this study demonstrates that customer loyalty in Islamic banking is influenced by a combination of Shariah compliance, corporate image, and relationship marketing, with customer satisfaction serving as a critical mediating factor. These findings highlight the importance of adopting an integrated approach that combines ethical compliance, strong corporate reputation, and effective relationship strategies to achieve sustainable customer loyalty in Islamic banking.

## CONCLUSION

This study concludes that Shariah compliance, corporate image, and relationship marketing each play a significant role in influencing customer loyalty in Islamic banking, both directly and indirectly through customer satisfaction. The findings indicate that adherence to Shariah principles is not only a religious obligation but also a strategic factor that strengthens customer trust and commitment. Corporate image contributes to shaping positive customer perceptions, while relationship marketing enhances long-term engagement through trust and effective communication.

Furthermore, customer satisfaction is proven to be a key mediating variable that strengthens the relationship between the independent variables and customer loyalty. This implies that efforts to improve Shariah compliance, corporate image, and relationship marketing will be more effective in increasing customer loyalty when they are able to enhance customer satisfaction.

Therefore, achieving sustainable customer loyalty in Islamic banking requires an integrated strategy that combines strict adherence to Shariah principles, the development of a strong and credible corporate image, and the implementation of effective relationship marketing practices, all of which must be oriented toward maximizing customer satisfaction.

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