Building Loyalty in Islamic Banking: How Brand Trust and Mobile Banking Quality Drive Customer Satisfaction and Retention

Navilah Laila Wardani[1], Harun Alrasyid[2], Nurhidayah[3]

[123]Universitas Islam Malang, Indonesia

Email: navilahwardani@gmail.com, harunalrasyid@unisma.ac.id, aya@unisma.ac.id

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Abstract

This study aims to analyze the influence of brand trust and mobile banking service quality on customer loyalty through customer satisfaction in the islamic banking industry in indonesia. A quantitative research method was employed with a sample of 230 respondents, consisting of bank syariah indonesia (BSI) customers in the malang raya area. Data were collected using a likert-scale questionnaire and analyzed using the partial least squares structural equation modeling (PLS-SEM) method with the help of smartpls 4 software. The results indicate that both brand trust and mobile banking service quality have a positive and significant effect on customer satisfaction, which in turn serves as a strong mediating variable in the relationship. Furthermore, mobile banking service quality has a significant positive effect on customer loyalty, as does customer satisfaction. Brand trust and mobile banking service quality also significantly influence customer loyalty through customer satisfaction as a mediating variable. These findings highlight the crucial role of customer satisfaction in building customer loyalty. It is evident that both brand trust and the quality of mobile banking services enhance satisfaction, which ultimately drives loyalty. Therefore, islamic banks need to strengthen customer trust and improve the quality of their digital services to retain their customers.

INTRODUCTION

The Islamic banking industry in Indonesia has experienced remarkable growth in recent decades, in line with increasing public awareness of Islamic economic principles. Since the establishment of the first Islamic bank in the early 1990s, the demand for Sharia-compliant financial products has continued to rise, resulting in the expansion of Islamic financial institutions, both in the form of full-fledged Islamic banks and Islamic business units of conventional banks (Amiruddin et al., 2023). Islamic banks serve not only as financial institutions but also play a pivotal role in supporting national development through economic equity, justice, and shared prosperity (Yuli Sahara Nst, 2023).

According to Law No. 21 of 2008 concerning Islamic Banking, Islamic banking is an essential element in national economic development and global competitiveness. It is based on Sharia principles, which emphasize justice, benefit, balance, and universality. These principles are applied through a banking system that reflects ethical financial practices aimed at fostering inclusive and sustainable economic growth.

As of August 2024, data from the Financial Services Authority (OJK) shows that Islamic banking held a market share of 7.44% of the national banking industry, with total assets reaching IDR 919.83 trillion and annual asset growth of 10.56%. The industry comprises 14 Islamic Commercial Banks, 19 Sharia Business Units, and 173 Sharia Rural Banks (Bisnis.com, 2024).

Simultaneously, Indonesia has witnessed significant technological advancements, especially in the financial sector. The widespread adoption of internet and digital platforms has transformed traditional banking services into digital forms such as mobile banking. These

innovations have improved financial inclusion and service efficiency. However, key challenges remain, particularly in ensuring data security and maintaining customer trust (Zainul et al., 2020).

The shift towards digitalization is further driven by increasing internet penetration in Indonesia. According to the Indonesian Internet Service Providers Association (APJII), internet users in Indonesia are expected to reach 231 million in 2025, up from 221 million in 2024. This digital transformation supports the broader adoption of mobile banking services, with major banks continuously enhancing their applications to better serve customers. Yet, Islamic banks, such as Bank Syariah Indonesia (BSI), face fierce competition and are required to adopt innovative digital strategies to meet evolving customer expectations.

Competition among Islamic banks in the banking world is also becoming increasingly fierce, compounded by the presence of foreign banks based on Islamic principles, which has become a new means for the Islamic banking world to be more innovative and required to make greater use of information technology in its services and to have the right competitive strategy to win the competition in the market. (Rosidin & Affandi, 2021) One example of the use of information technology in the banking sector is mobile banking and internet banking.

Observations from Google Play Store reveal that the BSI Mobile application, branded as BYOND by BSI, received a rating of 3.7, significantly lower than competitors such as BRImo (4.7), BNI Mobile (4.7), OCTO Mobile (4.9), and others. User reviews indicate dissatisfaction related to usability, technical issues, and lack of transparency in service interruptions. These issues signal gaps in customer satisfaction, which can affect loyalty (Arifiyanti et al., 2022).

There have been several complaints from Bank Syariah Indonesia (BSI) customers regarding BSI's Mobile Banking service, such as difficulties in facial verification during self-activation, lack of assistance from customer service, and unclear information on transfers and transactions. The donation feature after transactions is also considered confusing, and the bank does not provide prior notification when performing service maintenance. This phenomenon shows that BSI consumers are not yet fully satisfied with the services provided. Consumer satisfaction will be achieved if the services meet their expectations, which in turn can increase loyalty and repeat use of products (Kotler, 2018).

Based on the above explanation and phenomenon, there is a desire to conduct research with the title: "Building Loyalty in Islamic Banking: How Brand Trust and Mobile Banking Quality Drive Customer Satisfaction and Retention"

METHODS

This study employs a quantitative approach using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method. This approach was selected because it enables the simultaneous analysis of complex causal relationships among latent variables and provides a more comprehensive examination of mediation models.

The population in this study was all customers of Bank Syariah Indonesia who use mobile banking services and reside in the city of Malang. This study uses probability sampling techniques and purposive sampling methods. The researcher chose to use purposive sampling because this technique allows the researcher to selectively choose samples based on certain characteristics and experiences relevant to the research topic. In addition, because there are too many customers of Bank Syariah Indonesia to use in this study, the researcher created several specific criteria that prospective respondents must meet, as follows:

1) Individuals residing in the Malang area

2) Knowing and having an account with Bank Syariah Indonesia

3) Use mobile banking services

Therefore, in order to determine the population size, the researcher used 230 samples derived from the number of indicators plus the number of variables multiplied by 10, resulting in 19 + 4 x 10 = 230 respondents (Hair et al., 2022).

Data analysis was conducted using SmartPLS software version 4.0. The analytical procedures in PLS consist of three main components: the outer model (measurement model) assessment, the inner model (structural model) analysis, and hypothesis testing.

RESULTS AND DISCUSSION

Structural Model Results Outer Model

Validity Test

Table 1

Convergent Validity Test Results

Variabel	Item Indikator	Loading Faktor	AVE
Brand Trust	X1.1	0.902	0.794
	X1.2	0.901	
	X1.3	0.870	
Mobile banking Service Quality	X2.1	0.816	0.651
	X2.2	0.788	
	X2.3	0.760	
	X2.4	0.862	
	X2.5	0.833	
	X2.6	0.776	
Customer Loyalty	Y.1	0.797	0.751
	Y.2	0.889	
	Y.3	0.906	
	Y.4	0.872	
Kepuasan	Z.1	0.794	0.713
	Z.2	0.907	
	Z.3	0.827	

Source: SmartPLS Output (2025)

Based on Table 1. All variables in the study—brand trust, mobile banking service quality, customer satisfaction, and customer loyalty—met the validity criteria, as indicated by factor loadings above 0.70 and AVE above 0.50. Thus, the research instrument was declared valid.

Discriminant Validity

Table 2

Cross Loading

	Brand Trust	*Mobile banking*	*Customer Loyality*	*Kepuasan nasabah*

		Service Quality		
X1.1	**0.902**	0.613	0.568	0.560
X1.2	**0.901**	0.650	0.588	0.568
X1.3	**0.870**	0.713	0.630	0.615
X2.1	0.747	**0.816**	0.652	0.665
X2.2	0.511	**0.788**	0.738	0.649
X2.3	0,525	**0.760**	0.565	0.542
X2.4	0.647	**0.862**	0.631	0.613
X2.5	0.680	**0.833**	0.603	0.605
X2.6	0.479	**0.776**	0.694	0.603
Y.1	0.452	0.676	**0.797**	0.651
Y.2	0.620	0.722	**0.889**	0.756
Y.3	0.611	0.710	**0.906**	0.757
Y.4	0.627	0.692	**0.872**	0.746
Z.1	0.559	0.652	0.668	**0.794**
Z.2	0562	0.646	0.776	**0.907**
Z.3	0.534	0.635	0.692	**0.827**

Source: SmartPLS Output (2025)

Based on Table 2. All indicators in this study had the highest loading values in their original constructs compared to other constructs, thus fulfilling discriminant validity. The indicators in each variable—Brand Trust, Mobile Banking Service Quality, Customer Satisfaction, and Customer Loyalty—consistently represented their respective constructs. Thus, the model was declared to meet the criteria for discriminant validity.

Reliability Test

Table 3
Reliability Test

Variabel	Cronbach's alpha	Composite reliability
Brand Trust	0.871	0.872
Mobile banking Service Quality	0.892	0.894
Customer Loyalty	0.889	0.892
Kepuasan	0.796	0.800

Source: SmartPLS Output (2025)

Based on Table 3. The four variables in this study showed Cronbach's Alpha and Composite Reliability values exceeding 0.70. Therefore, it can be concluded that all constructs in this study are reliable.

Structural Model Results (Inner Model)
***R Square* (R^2)**

Table 4
R Square (R^2)

Variabel	*R- Square*
Customer Loyalty	0.774
Kepuasan	0.600

Source: SmartPLS Output (2025)

Based on Table 4. The R² value for Customer Loyalty of 0.774 indicates that 77.4% of the variation in loyalty can be explained by Brand Trust, Mobile Banking Service Quality, and Customer Satisfaction. This shows a strong model in explaining customer loyalty.

For Customer Satisfaction, an R² of 0.600 means that 60% of the variation in satisfaction is explained by Brand Trust and Mobile Banking Service Quality, while the rest is influenced by other factors. This model remains effective in explaining satisfaction that affects loyalty.

HYPOTHESIS TESTING

Dirrect Effect

Table 5
Dirrect Effect

Keterangan	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t statistic (|O/STDEV|)	P values
Brand Trust ->Kepuasan	0.195	0.195	0.056	3.447	0.001
Mobile banking Service Quality -> Kepuasan	0.619	0.617	0.059	10.576	0.000
Brand Trust -> Customer Loyality	0.055	0.052	0.047	1.169	0.244
Mobile banking Service Quality -> Customer Loyality	0.364	0.365	0.060	6.057	0.000
Kepuasan -> Customer Loyality	0.527	0.527	0.052	10.201	0.000

Source: SmartPLS Output (2025)

Based on Table 5, The results show that brand trust has a positive and significant effect on customer satisfaction (t-statistic 3.447, P-value 0.001), while mobile banking service quality also has a positive and significant effect on customer satisfaction (t-statistic 10.576, P-value 0.000). Brand trust does not have a significant effect on customer loyalty (t-statistic 1.169, P-value 0.244), but mobile banking service quality has a significant effect on loyalty (t-statistic 6.057, P-value

0.000). Customer satisfaction has a positive and significant effect on customer loyalty (t-statistic 10.201, P-value 0.000).

Indirect Effect

Table 6
Indirect Effect

Keterangan	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t statistic (|O/STDEV|)	P values
Brand Trust ->Kepuasan -> *Customer Loyality*	0.103	0.103	0.032	3.237	0.001
Mobile Banking Service Quality -> Kepuasan Nasabah -> *Customer Loyality*	0.326	0.326	0.047	6.984	0.000

Source: SmartPLS Output (2025)

Based on Table 6. The results show that brand trust has a positive and significant effect on customer loyalty through customer satisfaction as an intervening variable, with a t-statistic of 3.237 (greater than 1.96) and a p-value of 0.001 (less than 0.05). Similarly, mobile banking service quality has a positive and significant effect on customer loyalty through customer satisfaction, with a t-statistic of 6.984 (greater than 1.96) and a p-value of 0.000 (less than 0.05). Both of these relationships show a positive direction, where customer satisfaction acts as a mediator in the influence of both variables on customer loyalty.

DISCUSSION

Based on the results presented in the tables above, it can be concluded that brand trust has a positive and significant effect on customer satisfaction. This means that the higher the level of customer trust in the brand, the greater their level of satisfaction with the services or products provided. Customer trust in the brand is an important factor in driving customer satisfaction, which ultimately influences their perception of the services received.

In addition, the quality of mobile banking services also has a positive and significant effect on customer satisfaction. The better the quality of mobile banking services perceived by customers—such as ease of use, speed of access, security, and reliability—the higher their level of satisfaction with these services. Therefore, the quality of mobile banking services is a major factor that influences customer satisfaction and can increase their loyalty to the bank.

However, although brand trust has a positive effect on customer satisfaction, this study shows that brand trust does not have a significant direct effect on customer loyalty. This indicates that

the influence of brand trust on customer loyalty is more indirect, through customer satisfaction as an intervening variable. In other words, trust in a brand is not strong enough to directly encourage customer loyalty without the role of customer satisfaction.

Conversely, mobile banking service quality and customer satisfaction have a positive and significant effect on customer loyalty. Good mobile banking service quality and high satisfaction levels are important factors in shaping and increasing customer loyalty. In addition, both brand trust and mobile banking service quality have a positive effect on customer loyalty through customer satisfaction as an intervening variable, where satisfaction serves as a link between these factors and customer loyalty.

CONCLUSION

This study has several limitations, including a sample that only comes from BSI customers in the Greater Malang area, so the results do not fully represent Islamic banking nationally. In addition, the data collected is cross-sectional, so it cannot describe changes in customer behavior over time. The research focuses only on the variables of Brand Trust, Mobile Banking Service Quality, and customer satisfaction as intervening variables, while other factors that influence loyalty have not been taken into account. The use of self-report questionnaires also has the potential to cause bias in respondents' answers.

The practical implications of this study indicate that Islamic banks need to focus on improving customer satisfaction through responsive and transparent services, as well as strengthening the user experience with digital technology, such as user-friendly and secure mobile banking applications. Building customer emotional commitment is also important through a personal approach, loyalty programs, and Islamic financial education. Banks need to regularly collect customer feedback to understand their needs, thereby building strong customer loyalty and supporting competitiveness in an increasingly complex financial industry.

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