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CUSTOMER LOYALTY IN SHARIA BANK SAVINGS PRODUCTS

Lealtad de los clientes en productos de ahorro bancario de la sharia

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ABSTRACT

This study aims to analyze the effect of customer preferences for sharia banking savings products on loyalty using the Islamic marketing with Technology Acceptance Model (TAM) approach. This research followed a descriptive-quantitative design involving the use of questionnaires as primary data and other supporting secondary data. The data were analyzed by using an inferential statistical analysis with a confirmatory factor analysis model (CFA). The data of this research were obtained from 400 respondents. The analysis indicates that product and service quality with the Islamic marketing approach increases customer preferences and loyalty in Islamic banking with the Technology Acceptance Model.

Keywords: Customer preferences on, islamic banking, increasing the loyalty, savings and services.

RESUMEN

Este estudio tiene como objetivo analizar el efecto de las preferencias de los clientes por los productos de ahorro bancario de la sharia sobre la lealtad utilizando el enfoque de marketing islámico con modelo de aceptación de tecnología (TAM). Esta investigación siguió un diseño descriptivo-cuantitativo que involucró el uso de cuestionarios como datos primarios y otros datos secundarios de apoyo. Los datos se analizaron mediante un análisis estadístico inferencial con un modelo de análisis factorial confirmatorio (AFC). Los datos de esta investigación se obtuvieron de 400 encuestados. El análisis indica que la calidad de los productos y servicios con el enfoque de marketing islámico aumenta las preferencias y la lealtad del cliente en la banca islámica con el modelo de aceptación de tecnología.

Palabras clave: Preferencias del cliente en, banca islámica, aumento de la lealtad, ahorros y servicios.

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INTRODUCTION

Financial transaction activities carried out by Islamic banking are the same as those of conventional banking. The main principle in Islamic banking is financial transactions without interest. The rapid development of Islamic banking can be seen in the mobilization and distribution of Islamic banking funds to accommodate the wishes of Muslims, and the people's desire to save in national Islamic banking continues to increase. During 2006-2018, public funds (third party funds or DPK) saved in Islamic banking tended to increase on an annual average of 65.28 billion rupiahs with an average increase of 15.73 billion rupiahs or 24.09 percent. The entire DPK is sourced from three types of customer deposits, including wadiah contract (iB demand deposit), iB savings (wadiah and mudharabah contract), and mudharabah contract (iB deposit).

Bank Indonesia recorded a significant increase in the assets of Islamic banks over the last five years when macroeconomic fundamentals tended to improve both locally and globally. Bank Indonesia believes that the target will be achieved and predicts that the market share of Islamic banks in 2010 - 2020 will increase by 10 percent per year, and for 2020-2030, the market share of Islamic banks will increase by 30% per year. Studies on the loyalty of Islamic bank customers have been carried out in several countries and shown relatively different results. (Mahamad & Ramayah: 2010, pp. 72-100) explain that loyalty is a person's feeling as a result of comparing between results and expectation. Religion, economic benefits, customer preferences and perceptions, product quality, and service quality, and the rules applied in the bank as mediators in improving the quality of service to customers are major factors that make people choose to save in Islamic banks.

In Malaysia and Singapore, an empirical study conducted by states that religion and the level of profit are the two fundamental factors that attract people to save in Islamic banks. Finds that the loyalty of Islamic banking consumers results from good service quality and various products offered by the banks. These factors affect the customer's to-be loyalty Islamic banks. This is in line with (Ali et al.: 2009, pp.156-197), who finds that religion positively and significantly affects the services to customers of Islamic banking in Morocco. Besides, another study in Pakistan conducted by (Raza et al.: 2012, pp. 1-9) finds a positive relationship between customer loyalty and service quality, product quality, protection and financial benefits for consumers, competitiveness between Islamic banks and conventional banks, and the reputation of Islamic banks. However, customers prefer conventional banking even though Islamic banking provides different services. Likewise, Malaysia (Saad: 2012, pp. 52-73) finds that the customers' choice of a bank is due to their satisfaction with service quality related to the competence, friendliness, and efficiency of employees of Islamic banks and conventional banks. However, He did not examine the economic benefits and offers of superior products as the customers' choice.

In Indonesia, it states that customers decide to save money in Islamic banking because of several factors, i.e., economic, religious, and external factors. The customers prefer to choose these religious and economic factors because they gain duniyawi-ukhrawi loyalty. However, this research does not explain the savings products offered by banks, services, and customer loyalty in Islamic banking. Finds that demographic factors (age and level of education), regional accessibility, relative profitability, haram bank interest, acceptance of new technology, family mobility, flexibility, and completeness of bank are factors that positively affect people's decision to save at Islamic Bank. The fulfillment of customer loyalty with product and service quality is determined by various factors.

This research was conducted in Lampung Province: Bandar Lampung City, Central Lampung and Pringsewu; South Sumatra: Palembang City, Prabumulih, Lahat, Tanjung Enim and Tugu Mulyo; and West Java: Bandung, Parung, and Bogor. In this study, we focused on two Islamic banks: Bank Mandiri Syariah (BSM) and Bank Rakyat Indonesia Syariah (BRIS).

LITERATURE REVIEW

Loyalty

(Ahmad et al.: 2014, pp. 66-72) finds that banks will offer various economic benefits in the form of competitive advantages and several options of quality bank products so that customers have various choices for bank products. Customer loyalty is an essential factor for banks. Similarly, (Zahoor & Qureshi: 2017, pp. 21-39) states that benefits which are the source of life, are the most important condition for banks as the mediator in the financial system. Besides, finds that the loyalty of Islamic banking consumers is affected by various products offered by the bank and good service quality. These factors make customers loyal to Islamic banks.

According to (Adelsarbanlar & Khoshtinat: 2016, pp. 433-440), a good bank service quality occurs if banks provide a guaranteed return on the purchase price and solve customers' problems responsively. Besides, (Karim & Chowdhury: 2014, pp. 1-11) states that banks that provide good services will have high customer loyalty and a good reputation. This will reduce the cost of failure, product marketing, and operational costs. The main factor for customers' satisfaction is the customer's perception of the quality of bank services. (Saad: 2012, pp. 52-73) finds that the customers choose a bank because they are satisfied with the service quality related to the competence, friendliness, and efficiency of employees of the bank. According to (Jhandir: 2012, pp. 14-32), customer loyalty depends on the customer's perceptions and expectations of the service quality they receive. A good company must understand customer perceptions, tastes, and expectations of products, services, experience, and communication through advertising and marketing. The service quality of Islamic banking is determined by the level of customer loyalty. However, this study only identified four determinants: (a) the speed of bank services; (b) hospitality of bank employees; (c) competence of bank employees; and (d) service facilities (online facilities). Thus the first hypothesis is formulated as follows:

H1: Service quality affects customer loyalty

Product Attribute

(Yusfiarto & Pambekti: 2019, pp. 807-828) Explains that understanding the relationship between Islam, consumption, and marketing is increasingly important. He finds bad behavior of some Muslims in the transaction and selection of products to be marketed. This is contrary to Islamic laws. (Latip et al.: 2017, pp. 1-18) support previous studies that customers' decisions in choosing Islamic bank products are affected most by trust, product quality, and bank reputation. Consumers will be satisfied with the quality products offered as well as a good and convincing bank reputation.

According to, profit sharing is a contract between Islamic banks and capital managers in carrying out productive activities. The investors' loss is that the investment capital is not fully returned. Besides, capital managers lose the salary of their hard work. (Abuznaid: 2020, pp. 10-32) shows that production in Islam is a form of worship shown by quality products. The loyalty of consumers to product quality is an important basis in marketing. Consumer loyalty is the goal of a company, so that customer satisfaction must be maintained so that the customers use the company's products continuously. (Ahmadova: 2017, pp. 95-120) explains that the most significant relationship is the marketing of halal and quality products, in line with new trends of marketing growth in companies by applying Islamic rules on sales and products of food, beauty, and even banking. Providing quality products and services based on Islamic laws will make the consumers feel a sense of religiosity. Some aspects considered by customers as product quality in service marketing are (a) economic benefits, (b) products, (c) profit-sharing system, and (d) product variety. These four aspects are indicators in measuring the satisfaction of consumers in product quality. Thus, the second hypothesis is formulated as follows:

H2: Product attribute affects customer loyalty

Islamic Marketing

The maximization of values in Islamic marketing is obtained through a marketing mix that includes products, prices, promotions, distribution, and people who follow Islamic principles. This maximizing process aimed at welfare is a combination of various integrated elements. In this study, we try to develop it based on the concept of Islamic Marketing that there is a difference between the terms 'customer' and 'consumer.' The customer in this study is the person who always buys and uses the products or services of a company, whereas consumers not always do.

2.3 Technology Acceptance Model (TAM)

The Theory of Reasoned Action (TRA) model was adopted and developed to the Technology Acceptance Model (TAM) with the assumption that a person's reaction and perception of something will determine attitudes and the person's behaviors. The TAM itself was developed to explain the behavior of technology use. So far, TAM is the most widely used model in predicting the acceptance of information technology and has been proven to be a very useful theoretical model for understanding and explaining users' behaviors in the information system of implementation. (Chandio et al.: 2017, pp. 50-64) examined the effect of trust on Internet Banking acceptance by combining TRA and TAM theories. The results of this study show that the perception of usefulness, perceived ease of use, and trust were positively and significantly affect attitudes. Besides, it is also found that attitudes positively and significantly affect the interest in using Internet Banking in London. (Ananda et al.: 2020, pp. 14-24) examined the factors that influence the acceptance and adoption of Internet Banking in Hong Kong by using TAM.

METHODOLOGY

This research followed an associative survey research approach. This research relies on a positivistic paradigm (Marta et al.: 2019, pp. 12-22) as well as a quantitative approach. 400 people in the provinces of Lampung, South Sumatra, and West Java were chosen as samples by an accidental sampling method through which respondents were accidentally at the research location and were taken as samples objectively (Dalati & Gómez: 2018, pp. 175-186). The data were analyzed by using Second-Order Confirmatory Factor Analysis (Second Order CFA or 2nd CFA) (Tabachnick et al.: 2007, pp. 481-498). This analysis was used to test the dimensionality of a variable. Therefore, this research was based on several previous empirical studies and theoretical approaches. For this reason, the research model was based on the 2nd CFA used to test the research hypothesis through the influence of the saving product quality and bank service quality on the loyalty of Islamic banking customers in Bandar Lampung. The research model is illustrated as follows:

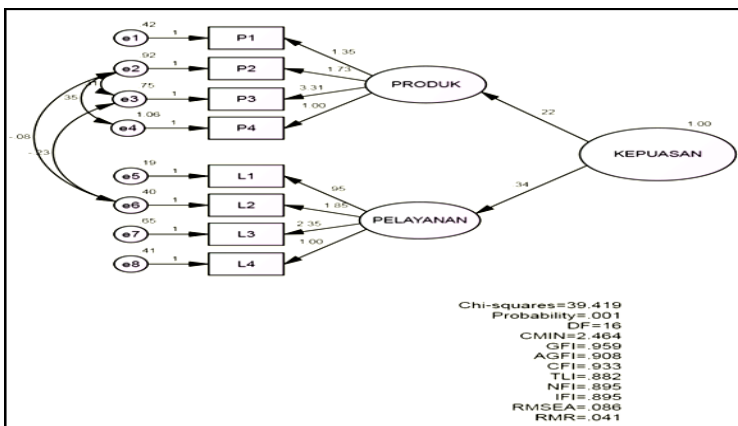


Figure 1. Research Model

RESULTS

Validity and Reliability Test

A questionnaire is valid if the questions can accurately and systematically measure the target variables. A valid questionnaire should have a significance value of <0.05 (Ong & Puteh: 2017, pp. 14-25). Hence, the questionnaire for Brand Association and E-Service Quality used in this study is valid as it yields <0.05 significance value. Moreover, all data were also included and measured in the next data processing.

Cronbach's Alpha test was done to test whether the measurement results were reliable. If the alpha score is >0.60 , then the instrument is reliable. The results of the reliability test can be seen as follows:

Table (1). Reliability Test

Cronbach's Alpha Standard Results			
X1	0.726	0.60	Reliable
X2	0.704	0.60	Reliable
Y	0.739	0.60	Reliable

Table 1 shows that Service quality and Product quality are reliable with a Cronbach's Alpha Score of >0.60

The Effect of Service and Product Quality on Customer Loyalty

Based on the goodness of fit test of the 2nd CFA model, the results indicate that this research model is significant with the Chi-Square probability value of >0.05 or 21.213. Meanwhile, the criteria values of DF, GFI, AGFI, CFI, TLI, CMIN / DF, and RMSEA have met the recommended value at the cut-off value. Thus, this research model is believed to be the best model to estimate the relationship between research variables. The following is the result of the goodness of fit testing of the variables (See Table 2):

Table (2). The goodness of Fit Test Results

No	Index	Cut-off Value	Result	Criteria
1	Chi-Square (χ^2)	$< 84,821$	21,213	Good
2	Significance Probability	$\geq 0,05$	0,096	Good
3	DF	> 0	14	Identified
4.	GFI	$\geq 0,90$	0,976	Good
5.	AGFI	$\geq 0,90$	0,939	Good
6.	CFI	$\geq 0,95$	0,979	Good
7.	TLI	$\geq 0,95$	0,959	Good
8	CMIN/DF	$\leq 2,0$	1,515	Good
9.	RMSEA	$\leq 0,08$	0,051	Good

DISCUSSION

Customer loyalty is strongly affected by product quality, price, and personal and situational factors offered by producers. Consumers or customers will be satisfied if the evaluation results show that the products they use are of high quality. This expectation is on the quality standard that will be compared with the function or quality of the products by the customers. In the decision-making process, the customers will never stop at the selection process of the product they take. The customers will evaluate the selected banking products. The analysis of this study found that bank customers are very satisfied with the quality of Islamic banking products. The variables of Islamic banking products such as the economic benefits of Islamic banking products, Islamic product attributes, profit-sharing systems based on Islamic principles to avoid the riba in bank interest, and the variety of Islamic banking products are the indicators of customer loyalty in Islamic banks. Regarding the variety of Islamic banking products, this study found that Islamic bank customers are very satisfied with the variety of Islamic bank products. Besides, it was also found that the quality of Islamic banking products greatly affects the loyalty of Islamic bank customers in Bandar Lampung. Customer loyalty is very important for banks to compete and maintain their customers as a source of bank revenue. The loyalty of Islamic bank customers to product quality found in this study shows the existence of Islamic banking. In Islamic Marketing, everything is based on the moral principle in conducting commercial activities. Characteristics in establishing the relationships construct interactions with mutual benefits. However, the Islamic index will contribute to international marketing benefits to investors who will market their products if marketing gives benefits to Islamic bank customers.

CONCLUSION

This study concludes that service quality and product attributes positively affect customer loyalty and the quality of Islamic banking products with the Technology Acceptance Model (TAM). There is a difference between product quality and bank service quality on customer loyalty of Islamic banks in which the service quality of Islamic banks affects customer preferences and loyalty more than the product quality. 30% of Islamic banking customers in Lampung, South Sumatra, and West Java are non-Muslims. The concept of Islamic marketing is essential in building the attitudes and behaviors of marketers and consumers so that it can explain the determination of consumer loyalty in the Islamic perspective to build a significant relationship between the Islamic banks and the customers.

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