

Exploring Satisfaction as a Mediator and Moderator of Customer Loyalty in Islamic Banking

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Abstract

This study was conducted to analyze the drivers of loyalty within the context of Islamic banking. Service quality, trust, and satisfaction were examined as exogenous variables influencing loyalty. Furthermore, this study adopted a comprehensive approach by investigating the role of satisfaction as a moderator and mediator in this relationship. The results showed that the exogenous variables significantly impacted loyalty and satisfaction, as well as moderated and mediated the links between service quality, trust, and loyalty. The implications were substantial, particularly for Islamic banks and regulatory authorities. To effectively retain customers in the face of competition, banks prioritized initiatives aimed at enhancing service quality, fostering trust, and monitoring customer satisfaction. Additionally, regulatory bodies contributed by formulating supportive policies and programs that encouraged these practices. The study also challenged conventional perspectives by conducting a thorough analysis of the multifaceted roles played by customer satisfaction, contributing to a framework for optimizing loyalty through quality and trust. Future analysis could build on the insights generated, analyzing the dynamics of customer relationships within the Islamic banking sector. This timely study elucidated pathways for sustaining the growth of Islamic banking.

Keywords: customer loyalty, Islamic bank, satisfaction, service quality, trust

INTRODUCTION

Success in the competitive banking industry is dependent on a steadfast commitment to improving service quality continuously. Meanwhile, competition intensifies with the increasing number of participants in this sector. According to the Financial Services Authority (Otoritas Jasa Keuangan/OJK), Indonesia had 107 active banks in January 2022. Therefore, banking institutions must prioritize customer satisfaction when formulating their marketing strategies to effectively retain clients. In the financial system, Islamic banks assume a significant role by adhering to Sharia principles and acting as intermediaries that consolidate funds from third parties. The establishment of these entities integrates Islamic traditions into financial and banking transactions, yielding optimal outcomes (Permatasari & Yulianto, 2018).

Table 1. Indonesian Islamic Banking Office Networks in 2022

Banking Institution	Number of Institutions	Number of Offices
Sharia Commercial Bank	12	1,813
Sharia Business Unit	21	440
Sharia People's Financing Bank	165	660
Total	198	2,913

Source: OJK, 2022

Indonesia has a thriving Islamic finance industry reaching over Rp 2,050 trillion (US\$143 billion) in Sharia-compliant assets with the world's largest Muslim population (OJK, 2021). Furthermore, Islamic banking has achieved remarkable growth by expanding nationwide. The diverse products and resilience during crises show increasing trust, with assets, financing, and third-party funds growing steadily (OJK, 2022). The expansion of Islamic banking reflects increasing confidence in its development as a strong ethical alternative. The substantial underbanked Muslim population offers significant potential. Therefore, Islamic banks must persist in enhancing their offerings and customer experiences to leverage Indonesia's role as the epicenter of the global Islamic economy. The preservation of trust and satisfaction are important for the flourishing of Islamic finance in this high-potential market.

Table 2. Primary Indicators of Indonesian Islamic Banking

Year	Assets (In trillion rupiah)		Disbursed Financing (In trillion rupiah)		ThirdParty Funds (In trillion rupiah)	
	2020	2021	2020	2021	2020	2021
Total	608.90	693.80	394.63	421.86	475.00	548.58

Source: OJK, 2022

Despite the Muslim population accounting for 86% of the total, Islamic banks currently command a market share of only 6.74%, with 11% using banking services (OJK, 2021-2022). The 2019-2021 surge in customers increased third-party funds, enabling asset expansion crucial for growth. Therefore, a higher market share optimizes offerings to tap the underserved Muslim community. Enhancing products, service quality, and customer experience can also increase satisfaction and loyalty. This allows leveraging third-party funding and assets for competitive growth. In Indonesia's vast Muslim economy, capturing more shares depends on building consumer trust and loyalty.

Table 3. Growth of Customers and Third-Party Funds of Islamic Commercial Banks in 2019 - 2021

Year	Total customer	Amount (In billion Rp)	Growth (%)	
			Customer	Thirdparty funds
2019	27.015.606	416.150	11,02	11,92
2020	30.537.385	465.977	13,04	11,97
2021	35.145.095	536.992	15,09	15,24

Source: OJK, 2022

Customer loyalty is important for business success, representing continued commitment despite alternatives (Kotler & Keller, 2012). This includes voluntarily selecting to stay with a company long-term (Lovelock & Wright, 2018). Loyalty signifies deeply ingrained repurchasing habits regardless of situations or marketing (Oliver, 2010). Quality service boosting satisfaction is crucial for loyalty and consistent with Islamic teachings on excellence (Zeithaml & Gremler, 2017). Trust builds loyalty by fostering benevolence, integrity, and bonding (Usman, 2017; Jafar, 2019), while satisfaction indicates fulfilled expectations (Kotler & Keller, 2016).

Trust, service quality, and satisfaction played crucial roles in enhancing customer loyalty. Satisfaction serves as a mediating factor in the relationship between service quality and customer loyalty (Oktaviani & Khadafi, 2018; Nguyen et al., 2020; Dewi et al., 2021; Mulyono et al., 2020). Even though previous study has delved into the factors of service quality, trust, and satisfaction as drivers of loyalty in the banking sector, there has been a limited exploration of the dynamics within the context of Islamic banking. The mechanisms linking service quality and trust to loyalty also remained underexplored. A limited study has analyzed satisfaction's potential multifaceted influence as a moderator and mediator in Islamic banking loyalty models. By investigating the complex roles, this timely analysis contributes to the development of Islamic banking literature. Furthermore, it uncovers strategies to improve loyalty due to the Unique features of Islamic banks. This study elucidates pathways for sustaining growth by analyzing satisfaction's impact on the loyalty model.

The moderation and mediation roles of satisfaction were explored in the relationship between loyalty and service quality in Islamic banking. Examining these dynamics can uncover strategies to improve loyalty given Islamic banks' unique features. Analyzing the impact is key to understanding the complex loyalty drivers in Islamic finance. This can provide recommendations to enhance customer loyalty and competitiveness through optimized satisfaction. Moreover, this timely study significantly contributes to the developing Islamic banking literature. Investigating satisfaction's multifaceted influence on loyalty will elucidate pathways for sustaining the growth of Islamic banks.

The grand theory guiding this study on customer loyalty is the service-profit chain model originally proposed by Heskett, Jones, Loveman, Sasser, and Schlesinger (1994). The service-profit chain provides an overarching framework for understanding the linkages between service quality, customer satisfaction, and loyalty. Specifically, it stated that investment in service quality leads to increased customer satisfaction, resulting in greater customer loyalty and improved profitability. By delivering superior service quality and ensuring customer satisfaction, firms can develop loyalty bonds with customers that translate into patronage, positive word-of-mouth, and ultimately enhanced revenues and profits (Heskett et al, 1994).

Loyalty reflects committed attitudes shown through repeat purchases, recommendations, and competitor resistance (Tjiptono & Chandra, 2016; Griffin 2010). Service quality denotes meeting customer expectations (Sulistiyandari & Ramadhan, 2021) and influences Islamic banking loyalty (Fusva et al., 2020) across assurance, responsiveness, tangibles, empathy, reliability, and Sharia compliance (Zeithaml & Gremler, 2017).

Trust arises when brands act in consumers' interests despite risks (Arista & Astuti, 2011; Kotler & Armstrong, 2016). The variable stems from perceived credibility, benevolence, and integrity (Mansour et al., 2016; Suryani, 2019). Meanwhile, satisfaction means exceeding customer expectations (Oliver, 2010), gauged through perceptions, patronage intentions, and recommendations (Tjiptono & Chandra, 2016). The framework comprises the description of how the theory performs in providing solutions or alternative solutions to a set of problems. In addition, the exogenous variables include Service Quality, Trust, and Satisfaction. Customer Loyalty is an endogenous variable, and Satisfaction acts as a moderation and mediation in the study framework, as shown in Figure 1.



Figure 1. Framework

Source: processed data (2022)

Hypothesis Development

The Influence of Service Quality on Loyalty

Customers' loyalty towards Islamic banking services is influenced by the quality of services provided. According to the service-profit chain model by Heskett et al. (1994), service quality leads to customer satisfaction and loyalty. Customers are more likely to experience satisfaction when excellent services that meet their expectations are received. This satisfaction fosters emotional attachment and positive attitudes toward the service provider, leading to loyal behaviors, such as repeat purchases, positive word-of-mouth, and recommendations to others (Zeithaml et al., 1997).

Empirical studies in various service contexts provide evidence for the positive relationship between service quality and loyalty. Nguyen et al. (2020), Mulyono (2020), Esmailpour et al. (2022), Hizam et al. (2021), and Zhou et al. (2021) studied public transportation, mobile banking, and other services, where higher levels of service quality lead to improved customer satisfaction and loyalty across different industries and countries.

H1: Service Quality Has a Positive and Significant Influence on Loyalty

The Influence of Trust on Loyalty

Trust is a key antecedent of loyalty according to the Commitment-Trust theory (Morgan & Hunt, 1994). Customers gain confidence in the provider's reliability and integrity when the service offered is trusted. This results in relationship commitment, which is central to building loyal attitudes and behaviors (Morgan & Hunt, 1994). Empirically, this variable has been found to positively influence loyalty across service contexts. Ratnawati and Lestari (2018) showed that trust had a significant positive effect on loyalty in Islamic banks. According to Sitorus and Yustisia (2018), trust in banks leads to intentions to deposit money, reflecting loyalty. Cardoso

et al.'s (2022) study reported a correlation between trust and loyalty in mobile banking. Furthermore, Rachmawati and Syafarudin (2022) also Rifaldi and Ghaffar (2022) found that higher levels of trust lead to greater loyalty in Islamic banking.

Commitment-trust theory provides a basis for the effects of trust on loyalty. Customers become committed to the relationship when a service provider is trusted. This commitment manifests in loyal behaviors such as repeat purchases, positive word-of-mouth, and recommending the provider to others (Morgan & Hunt, 1994). The empirical evidence confirms the favorable influence of trust on loyalty across service contexts including Islamic banking.

H2: Trust Has a Positive and Significant Influence on Loyalty

The Influence of Satisfaction on Loyalty

According to the satisfaction-loyalty chain theory by Oliver (2010), satisfaction is a key prerequisite of loyalty. Customer satisfaction with a service experience strengthens affective commitment and emotional attachment. This leads to attitudinal loyalty, which manifests as intentions to repurchase and recommend the provider. Subsequently, attitudinal loyalty drives action loyalty, where customers show behaviors such as repeat purchases.

Empirical evidence supports the positive influence of satisfaction on loyalty across industries. Dewi et al. (2021) found satisfaction significantly increased loyalty in Islamic banks. Nan et al. (2022), Esmailpour et al. (2022), also Jiang and Yan (2022) in various services showed satisfaction had a positive correlation with loyalty. Furthermore, Rachmawati and Syafarudin (2022), and Yani and Safitri (2022) confirmed satisfaction had a favorable impact on loyalty in Islamic banking.

H3: Satisfaction Has a Positive and Significant Influence on Loyalty

The Influence of Service Quality on Loyalty with Satisfaction as Moderation Variable

The service-profit chain (Heskett et al., 1994) provides an overarching framework for understanding the relationships between service quality, satisfaction, and loyalty. Investment in service quality improves customer satisfaction, which in turn engenders attitudinal and behavioral loyalty.

Empirical studies across industries support the service-profit chain propositions. According to Fida et al. (2020), service quality predicts satisfaction and loyalty in Islamic banking. Inawati et al. (2021) showed that satisfaction moderated the service quality-loyalty link in public transportation. Hizam et al. (2021) reported that satisfaction mediated service quality and loyalty in the aviation industry. According to Omar et al. (2021), service quality impacted satisfaction and loyalty in mobile shopping.

Integrating the service-profit chain with the satisfaction-loyalty framework (Oliver, 2010), satisfaction was theorized to strengthen the positive influence of trust on loyalty. Customer satisfaction enhances their emotional bond with the service provider, amplifying the impact of trust on attitudinal and behavioral loyalty.

H4: Satisfaction Moderates the influence of Service Quality on Loyalty

The Influence of Trust on Loyalty with Satisfaction as Moderation Variable.

Trust and customer satisfaction are two critical factors in building and maintaining effective relationships between parties. Furthermore, trust is a multifaceted construct that includes competence, integrity, and benevolence (Mayer et al., 1995). The reliability and honesty of a connection are essential elements that contribute to establishing trust between parties. Conversely, customer satisfaction is a critical component of loyalty and retention, referring to the extent a product or service meets or exceeds expectations and needs (Supartini et al., 2020). The ability of a product to meet customer standards is critical in determining their satisfaction, which can drive repeat purchases (Saidani et al., 2019). According to Utama (2022), satisfaction plays an important role in strengthening trust in a product, building customer loyalty.

H5: Satisfaction Moderates the Influence of Trust on Loyalty

The Influence of Service Quality on Loyalty with Satisfaction as Mediation Variable.

The service-profit chain model (Heskett et al., 1994) provides an overarching framework for understanding the relationships between service quality, satisfaction, and loyalty. Investment in service quality enhances customer satisfaction, which leads to greater loyalty.

Empirical studies support the mediation role of satisfaction in the service quality-loyalty relationship. Mayer et al. (1995) conceptualized the variables as ability, benevolence, and integrity dimensions. Supartini et al. (2020) found that customer expectations (satisfaction) build loyalty. Saidani et al. (2019) showed satisfaction drives repurchases (loyalty).

Integrating the service-profit chain model with the satisfaction-loyalty framework (Oliver, 2010), satisfaction is theorized to mediate the positive influence of service quality on loyalty. Higher service quality improves satisfaction by meeting customer needs and this is strengthened to enhance attitudinal and behavioral loyalty.

H6: Satisfaction Mediates the Influence of Service Quality on Loyalty

The Influence of Trust on Loyalty with Satisfaction as Mediation Variable.

The relationship between trust, satisfaction, and loyalty has been extensively studied. According to grand theory, customer loyalty is built through meeting expectations and fostering trust and satisfaction (Oliver, 2010). Customers who place their trust in a company are more likely to find satisfaction with the products and services. This satisfaction fosters greater loyalty and reduces the inclination to switch behavior (Flavián et al., 2006).

Previous study has found evidence for a mediation model where satisfaction mediates the influence of trust on loyalty. In a study of banking customers, Sitorus and Yustisia (2018) found that satisfaction played a significant positive mediation role in the relationship between trust and loyalty. Utama et al. (2022) suggested that satisfaction also mediated the relationship between trust and loyalty, further increasing its importance.

H7: Satisfaction Mediates the Influence of Trust on Loyalty

METHOD

The application of a quantitative approach is essential, including the systematic examination of the entire population or a representative sample, followed by the collection of data through the utilization of the instruments. The collected data is analyzed quantitatively or statistically to test the developed hypotheses objectively, free from the influence of personal judgments. The results obtained from the respondents are considered as generalized and representative findings, representing the entire population (Ghozali, 2014).

Population and Sample

The present study adopted a quantitative approach to test hypotheses by analyzing data collected from Islamic banking customers. Accidental sampling was used to select respondents meeting the eligibility criteria of being customers of Islamic banks in Riau province. This non-probability sampling technique was selected due to the accessibility and availability of potential respondents (Etikan et al., 2016). Even though accidental sampling has limitations regarding representativeness, the concept enabled the collection of the required sample size efficiently within the constraints.

The sample size was determined to be 200 respondents based on recommended guidelines by Hair et al. (2017). These guidelines consider various factors, such as the number of model parameters and indicators, to ensure statistical robustness and adequate power for the analysis. The selection of 200 respondents was influenced by the unknown population size. In such cases, a larger sample size is advisable to provide a more representative and reliable estimate of the population characteristics.

The questionnaire was developed by adapting validated measures of service quality, trust, satisfaction, and loyalty from previous studies. These measurement scales were modified to suit the Islamic banking context based on a comprehensive literature review. Expert validation and refinement were conducted before distribution to ensure content validity and item clarity for respondents. The questionnaire was distributed offline to respondents at Islamic bank branches across Riau province. Authorized personnel at several bank branches also assisted in questionnaire distribution and collection from customers on the premises. Respondents were informed about the study's purpose and assured of confidentiality before obtaining consent to participate voluntarily. The questionnaire collected demographic information and measured the variables using multi-item Likert scales.

RESULT AND DISCUSSION

The sample comprised 200 respondents (Table 4), and the majority were male (75.3%). This indicates a skewed gender distribution with a higher proportion of men compared to women participating in the study. Most respondents were aged 26-35 years old (40.5%), followed by 36-45 years old (22.5%), 18-25 years old (26%), and over 45 years old (11%). Therefore, the sample consisted predominantly of young and middle-aged adults. Approximately half of respondents at 52.25% had a bachelor's degree. Meanwhile, 28%, 11.5%, and 8% had a senior high school education, diploma, and master's degree. This shows most respondents were highly educated, with a majority having undergraduate qualifications.

Table 4. Respondent Profile

Gender	Male		Female	
	129 (75.3%)		71 (24.7%)	
Age	18-25 y.o.	26-35 y.o.	36-45 y.o.	>45 y.o.
	52 (26%)	81 (40.5%)	45 (22.5%)	22 (11%)
Education	Senior high school	Diploma	Bachelor	Master
	56 (28%)	23 (11.5%)	105 (52.25%)	16 (8%)
Occupation	Entrepreneur	Government employee	Private employee	Other
	49 (24.5%)	55 (27.5%)	67 (33.5%)	29 (14.5%)

Source: Processed data, 2023

The most common occupation was a private employee at 33.5%, followed by a government employee, entrepreneur, and other occupations at 27.5%, 24.5%, and 14.5%, respectively. This indicates most respondents worked in the private or public sectors, with a quarter being entrepreneurs or self-employed.

Validity and Reliability Test

The convergent validity results show that all factor loadings are above 0.7, indicating the items converge on their respective constructs and show adequate convergent validity.

Table 5. Convergent and Discriminant Validity Test Results

Variable	Number of items	Convergent validity		Discriminant validity			
		Loading factor	AVE Value	X ₁	X ₂	Z	Y
Service Quality (X ₁)	12	0.802-0.884	0.720	0.849			
Trust (X ₂)	18	0.722-0.884	0.702	0,806	0,838		
Satisfaction (Z)	9	0.728-0.856	0.750	0,839	0,863	0,806	
Loyalty (Y)	9	0.737-0.883	0.700	0,867	0,894	0,835	0,837

Source: Processed data, 2023

For discriminant validity, the square roots of the AVEs (diagonal values) are greater than the correlations between constructs (off-diagonal values). This shows each construct is distinct and measures a unique concept.

Table 6. Reliability Test Result

Variable	Cronbach's Alpha	Composite Reliability
Service Quality (X ₁)	0.981	0.983
Trust (X ₂)	0.944	0.953
Satisfaction (Z)	0.974	0.977
Loyalty (Y)	0.971	0.974

Source: Processed data, 2023

The Cronbach's alpha and composite reliability values for the constructs exceed 0.7 (Table 6), showing good internal consistency reliability. These results provide evidence that the measurement scales have adequate validity and reliability. The data shows the constructs are measured accurately and consistently, supporting their use for testing the hypothesized relationships between service quality, trust, satisfaction, and loyalty.

Table 7 provides valuable insights into the strength and significance of relationships among the variables within a specific context. By closely examining these determinations, a deeper understanding was gained concerning the extent to which independent factors contribute to the observed variability among the variables.

Table 7. R-Square and Adjusted R-Square Test Results

	R Square	R Square Adjusted
Loyalty (Y)	0.733	0.727

Source: Processed data (2023)

The R-square value for loyalty is 0.733, where 73.3% of the variance is explained by the model, including service quality, trust, and satisfaction as predictors. This is a substantial amount of explained variance, showing the model has good predictive accuracy. The adjusted

R-square value is 0.727, which is only slightly lower than the R-square. Therefore, there is no substantial loss of predictive power when model complexity is considered.

Hypothesis Test Results

The hypotheses testing results provide support for the proposed hypotheses:

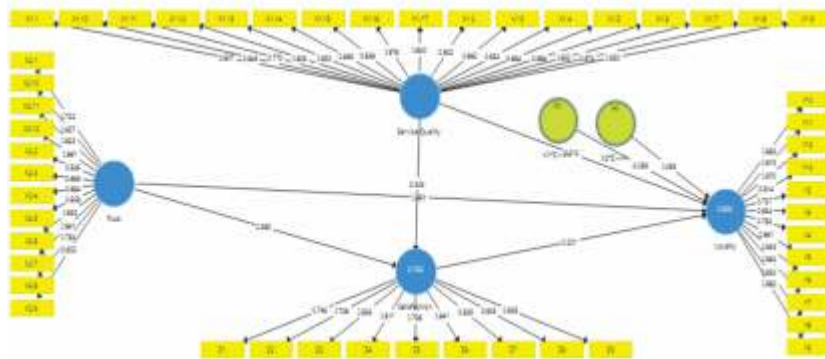


Figure 2. Path Analysis Results

Source: Processed data (2023)

Table 8. Path Coefficients

Hypothesis	Path	Original Sample (O)	Sample Mean (M)	T Statistics (O/STDEV)	P Values	Result
H1	Service Quality (X1) → Loyalty (Y)	0.213	0.221	2.337	0.020	Supported
H2	Trust (X2) → Loyalty (Y)	0.491	0.488	4.819	0.000	Supported
H3	Satisfaction (Z) → Loyalty (Y)	0.201	0.198	2.856	0.004	Supported
Moderation Variables						
H4	Service Quality (X1)* Satisfaction (Z) → Loyalty (Y)	0.289	0.282	2.811	0.005	Supported
H5	Trust (X2)* Satisfaction (Z) → Loyalty (Y)	0.263	0.26	2.551	0.011	Supported
Mediation Variables						
H6	Service Quality → Loyalty	0.067	0.066	2.099	0.036	Supported
H7	Trust → Loyalty	0.114	0.112	2.503	0.0113	Supported

Source: Processed data (2022)

H1 is supported since service quality has a positive and significant influence on loyalty (beta=0.213, p=0.020). This is consistent with the expectation that higher perceptions of service quality lead to greater customer loyalty.

H2 is supported since trust has a strong positive effect on loyalty (beta=0.491, p<0.001). This shows the important role of trust in driving loyalty intentions in Islamic banking.

H3 is supported since satisfaction positively and significantly affects loyalty ($\beta=0.201$, $p=0.004$). As hypothesized, more satisfied customers tend to be more loyal to their bank.

H4 is supported since satisfaction moderates the relationship between service quality and loyalty ($\beta=0.289$, $p=0.005$). Specifically, satisfaction strengthens the positive influence of service quality on loyalty.

H5 is supported since satisfaction moderates the effect of trust on loyalty ($\beta=0.263$, $p=0.011$), but acts as a suppressor in this relationship. The positive impact of trust diminishes with an increasing level of satisfaction.

H6 is supported since satisfaction mediates the influence of service quality on loyalty. The direct effect of service quality on loyalty becomes smaller ($\beta=0.067$, $p=0.036$) but remains significant when satisfaction is included in the model. Partial mediation - satisfaction explains part of the relationship between service quality and loyalty, but service quality still has some direct influence.

H7 is supported since satisfaction mediates the effect of trust on loyalty. The direct impact of trust on loyalty decreases ($\beta=0.114$, $p=0.0113$) but is still significant with satisfaction as a mediator. Satisfaction partially explains the relationship between trust and loyalty, but trust maintains a direct effect.

Discussion

Hypothesis 1: The Influence of Service Quality on Loyalty

The findings support Hypothesis 1, showing service quality significantly influences loyalty in Islamic banking. This shows the importance of service quality improvements through regular measurement, monitoring, and staff training to increase satisfaction and loyalty. The positive relationship is consistent with previous studies emphasizing service quality as a key driver of loyalty (Ltifi et al., 2016; Mulyono et al., 2020; Purwanto, 2022). The result reiterates service quality as a crucial factor impacting customer loyalty in Islamic banks.

Hypothesis 2: The Influence of Trust on Loyalty

The study supports Hypothesis 2, showing trust strongly impacts loyalty in Islamic banking. Improving trust by adhering to Islamic values enhances customer perceptions of credibility, benevolence, and integrity. The findings show past studies on the significance of trust for loyalty (Ltifi et al., 2016; Usman et al., 2017; Sitorus & Yustisia, 2018). Trust-building is important for Islamic banks to expand their customer base and profitability.

Hypothesis 3: The Influence of Satisfaction on Loyalty

The study supports Hypothesis 3, with satisfaction significantly influencing loyalty in Islamic banking. Satisfied customers have higher repurchased intentions, preferential

Behavior, and propensity to recommend. Therefore, monitoring expectations, soliciting feedback, and addressing complaints remain critical in improving satisfaction and loyalty. The findings are consistent with Umar (2014), Gultom et al. (2020), and Muis et al. (2020) on the positive satisfaction-loyalty link. Generally, the study upholds satisfaction as an influential driver of loyalty.

Hypothesis 4: The Influence of Service Quality on Loyalty with Satisfaction As a Moderation Variable

The study results support Hypothesis 4, with satisfaction moderating the service quality-loyalty relationship. This indicates service quality and satisfaction synergistically increase loyalty, implying Islamic banks should pursue integrated strategies to improve these factors. The moderation role of satisfaction is consistent with previous studies (Purwanto, 2022; Borishade et al., 2021) but service quality remains a salient driver of loyalty.

Hypothesis 5: The Influence of Trust on Loyalty with Satisfaction as a Moderation Variable

The findings support Hypothesis 5, with satisfaction moderating the trust-loyalty link. This shows the synergistic effects of trust and satisfaction in driving loyalty. Islamic banks should leverage both factors through integrated initiatives to strengthen credibility, benevolence, integrity, and satisfaction simultaneously. The moderation effect is consistent with Utama (2022) and Supartini et al. (2020) but trust remains an influential determinant of loyalty.

Hypothesis 6: The Influence of Service Quality on Loyalty with Satisfaction As Mediation Variable

The study supports Hypothesis 6, where satisfaction mediates the service quality-loyalty relationship in Islamic banking. Improving service quality enhances satisfaction, which increases loyalty. The strategies include soliciting feedback, staff training, personalization, and CRM. The mediation role is consistent with previous studies (Sitorus & Yustisia, 2018; Rachmawati & Syafarudin, 2022; Shen & Yahya, 2021), which uphold satisfaction as a mediator translating service quality into heightened loyalty.

Hypothesis 7: The Influence of Trust on Loyalty with Satisfaction as a Mediation Variable

The findings support Hypothesis 7, where satisfaction mediates the trust-loyalty link in Islamic banking. Sharia compliance, transparency, ethical practices, and digital platforms are key to building trust, satisfaction, and loyalty. The mediation effect is in line with (Sitorus & Yustisia, 2018; Rahmadhani, 2022; Rachmawati & Syafarudin, 2022), where satisfaction is a mediator between trust and loyalty.

CONCLUSION

In conclusion, it was evident that service quality, trust, and satisfaction had an affirmative impact on customer loyalty within the context of Islamic banking. Satisfaction also played a moderating role in the relationship between service quality and loyalty. The interaction between trust and loyalty was intricately influenced by the level of satisfaction. Furthermore, satisfaction played an important role in moderating the influence of service quality on customer loyalty. The variable mediated the impact of trust on customer loyalty.

The findings offered several theoretical and practical implications. Theoretically, this study contributed to the literature by examining satisfaction as a moderator and mediator of key loyalty drivers in Islamic banking. The results advanced knowledge of the mechanisms linking service quality and trust to loyalty outcomes. For practice, the findings reported the importance of service quality and trust for enhancing satisfaction and loyalty. Islamic banks also invested in service improvements, trust-building, and satisfaction monitoring to strengthen customer bonds. This study provided a framework for managers to optimize loyalty and satisfaction among growing competition. Further analyses could build on these findings to deepen insights into Islamic banking relationships.

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