

Service quality, religiosity, customer satisfaction, customer engagement and Islamic bank's customer loyalty

Islamic bank's
customer
loyalty

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Abstract

Purpose – The purpose of this study is to investigate the influential factors of customer loyalty to Islamic banks, namely, service quality, customer satisfaction, customer engagement and religiosity.

Design/methodology/approach – This study is a survey of 335 Islamic bank customers in West Sumatra, Indonesia. This research deployed purposive sampling and analyzed the data by using covariance-based structural equation modeling.

Findings – Service quality has a positive and significant impact on customer satisfaction. Religiosity has a significant and negative moderating impact on the service quality–customer satisfaction relationship. Service quality has no significant influence on customer loyalty. Customer satisfaction is a significant antecedent of customer engagement and loyalty. Finally, customer engagement has a significant and positive effect on customer loyalty.

Research limitations/implications – This study is a combination of cross-sectional and a single-country case. Accordingly, the results may not be representative of other countries. Similar studies in longitudinal data collection are conducted in other countries (e.g. ASEAN countries), which would therefore be worthwhile. Some antecedents of customer loyalty have been neglected in this study (e.g. customer value co-creation and customer commitment); hence, the future study may investigate those factors.

Practical implications – By considering these Islamic banks' antecedents, the Islamic banks might enhance their customer loyalty. Also, this study has revealed the moderating role of religiosity in a loyalty relationship. Therefore, it will give insights for the Islamic bank managers in decision-making.

Originality/value – This study has revealed the moderating role of religiosity on the link between service quality and customer satisfaction in Islamic banks, which is, to the authors' knowledge, neglected in the previous studies. The customers with high religiosity will have a higher standard of satisfaction and demand a better service quality than the customers with low religiosity. This study has also examined the relationships between service quality, religiosity, customer satisfaction, customer engagement and loyalty as a whole, which have been limited previously.

Keywords Service quality, Customer loyalty, Religiosity, Customer satisfaction, Customer engagement, Islamic bank

Paper type Research paper



Introduction

Banking sector is an important sector in the global financial system. The banking sector has the biggest market share in the financial business (Darsono *et al.*, 2017). Financial Services Authority survey in 2016 revealed that the index of financial inclusion in Indonesia was 67.82 per cent (Keuangan, 2017). Furthermore, Indonesia is already known as the country with the largest Muslim population in the world. From the Islamic perspective, all activities, including business and economics have to comply with Islamic law (Darsono *et al.*, 2017).

The Indonesian government introduced the Islamic bank in 1991 by establishing Bank Muamalat. In 2008, the government introduced the enactment of Act no. 21 of 2008 (UU No. 21 2008) about Islamic bank. Thus, this policy has increased the number of Islamic banks (Keuangan, 2017). However, the market share of Islamic bank in Indonesia is still low. For example, the market share of Islamic bank in March 2019 was only 5.94 per cent (Keuangan, 2019). Moreover, West Sumatra, the home territory of Minangkabau, is well-known as the religious province where its motto is “*Adat Basandi Syara’, Syara’ Basandi Kitabullah*”. This motto means that all activities in the Minangkabau culture should be based on Islamic law. Presumably, Islamic banking is more prevalent in West Sumatra than in other provinces. In contrast, the Financial Services Authority found that the market share of Islamic bank in West Sumatera is still small (Keuangan, 2019). Accordingly, this is the main reason why we conducted this research study in West Sumatra.

One important factor in managing a service business such as a bank is enhancing customer loyalty (Bruneau *et al.*, 2018). When a customer is loyal to the product or brand, he/she is more likely to purchase or recommend the product to other people. Accordingly, we assume that customer loyalty is a potential factor of the small market share of Islamic banking in Indonesia. According to Murali *et al.* (2016), loyalty is the result of an organization creating a benefit for the customers so that they will maintain or increase their purchases (p.69). Previous studies have revealed some antecedents of customer loyalty, such as customer satisfaction, customer engagement and service quality (Han and Hyun, 2018; Kamran-Disfani *et al.*, 2017; Meesala and Paul, 2018; Bruneau *et al.*, 2018; Vera and Trujillo, 2013). This study aims to examine the link between service quality, customer engagement, customer satisfaction and customer loyalty. Surprisingly, this study also investigates the moderating role of religiosity on the link between service quality and customer satisfaction, which is limited previously. Eid and El-Gohary (2015) and Zamani-Farahani and Musa (2012) have investigated the role of religiosity on customer satisfaction. They argue that people with high religiosity will perceive their satisfaction differently when they perceived the service quality of a company. However, they studied in the tourism sector and the study on this relationship is still neglected in other service businesses such as Islamic bank. Therefore, we argue that studies on these topics in other service sectors are still valuable.

This study has some contributions, including theoretical contribution and managerial implication. The first theoretical contribution of this study is that it has investigated the negative moderating effect of religiosity on service quality–customer satisfaction relationship. Customers’ high religiosity will demand more on service quality, which will decrease their satisfaction compared to customers with low religiosity. The customers with high religiosity have more knowledge of how Islamic banks should give their services based on Islamic compliance. Accordingly, they will have a higher expectation than customers with low religiosity. Second, this study has also revealed the link between service quality, customer satisfaction, customer engagement, religiosity and customer loyalty as a whole. The previous researchers have addressed those relationships partially (Meesala and Paul, 2018; Eid and El-Gohary, 2015; Prentice *et al.*, 2019), however, they failed to examine all

those variables in one study. Therefore, this study has contributed to examine all variables as a whole, which were limited in the prior studies.

Moreover, this study has also contributed to managerial decision-making. Islamic banks' managers in Indonesia have to concern with the antecedents of customer loyalty if they want to increase the participation rate of the customers. The most influencing factor in customer loyalty is customer engagement. Besides, customer engagement is affected by customer satisfaction and service quality. Hence, the managers must deal with service quality as the main influential factor of customer satisfaction and customer engagement, which will have a positive indirect effect on customer loyalty.

Literature review

Customer loyalty

Customer loyalty is an important factor in managing service such as banking sector (Kamran-Disfani *et al.*, 2017). According to Thakur (2016):

[...] loyalty is a customer's intention or predisposition to purchase from the same seller or the same brand again and is an outcome of the conviction that the value received from the said seller/brand is higher than the value available from other alternatives (p. 153).

Han and Hyun (2018) argue that loyal customers bring enormous advantages to every firm, such as allowing for a continuous profit stream and reduction of marketing/promotion costs (p. 75). Loyalty has some antecedents, such as customer satisfaction, customer engagement, service quality and customer perceived value (Akamavi *et al.*, 2015; Han and Hyun, 2018; Bruneau *et al.*, 2018; Raies *et al.*, 2015). According to Meesala and Paul (2018), customer loyalty can be measured by using some items, such as the intention to buy more products, prefers to buy that product compared to the competitor and the willingness to recommend the product to other potential customers.

Religiosity

Religiosity refers to people expression on their religious beliefs and practices (Johan and Putit, 2016). Religiosity is already known as one of the most influential factors of human behavior (Eid and El-Gohary, 2015). According to Zamani-Farahani and Musa (2012), religiosity has two dimensions, including religious beliefs and religious practices. Religious beliefs refer to what people believe about all activities based on their religious point of view; meanwhile, religious practice is related to how they do every activity based on their religious values. In the Islamic context, the example of religious beliefs is "their belief that Allah (God) will help them". The example of religious practices is "their consistency in doing prayers every day".

Service quality, religiosity and customer satisfaction

In managing a service business, customer satisfaction becomes an important factor for the company (Cheshin *et al.*, 2018). According to Murali *et al.* (2016), customer satisfaction refers to the degree of customer perceived performance compared to customer expectation. A customer will be satisfied when his/her perceived performance is the same with or more than his/her expectation (Meesala and Paul, 2018). Moreover, Han and Hyun (2018) assert that customer satisfaction deals with the level of pleasurable of the customer in the consumption fulfillment. Accordingly, we argue that satisfaction of the Islamic bank's customer is the level of pleasurable consumption fulfillment of the customers compared to their expectation and perceived service quality.

Customer satisfaction has some antecedents, such as service quality and religiosity (Miranda *et al.*, 2017; Eid and El-Gohary, 2015). Some previous studies have found that service quality has a significant impact on customer satisfaction (Meesala and Paul, 2018; Miranda *et al.*, 2017; Murali *et al.*, 2016; Vera and Trujillo, 2013). Miranda *et al.* (2017) assert that service quality is the customer's perceived value of the service by comparing between perceived quality and service expectation. Meesala and Paul (2018) have investigated the link between service quality, customer satisfaction and customer loyalty in 40 private Indian hospitals. They found that service quality has a significant impact on customer satisfaction. Furthermore, Vera and Trujillo (2013) have found that customer satisfaction is a consequence of service quality. Accordingly, we argue that service quality has a relationship with customer satisfaction (Miranda *et al.*, 2017). From the discussion above, we hypothesize that service quality has a positive and significant impact on Islamic banks' customer satisfaction (*H1*).

Some previous studies have argued that religiosity may relate to customer service quality and customer behavior (Cantrell and Yust, 2018; Aysan *et al.*, 2018; Gursoy *et al.*, 2017). According to Eid and El-Gohary (2015), the link between customer value and customer satisfaction has been moderated by religiosity. They found that religiosity is a significant moderating factor in the relationship between customer value and customer satisfaction. Moreover, Zamani-Farahani and Musa (2012) have asserted that religiosity has an impact on the socio-cultural perceived value of tourists. Customer's perceived value is closely related to perceived service quality. Accordingly, religiosity may also affect the link between service quality and customer satisfaction. Therefore, we posit that religiosity has a moderating impact on the relationship between customer service quality and customer satisfaction (*H2*).

Service quality and customer engagement

Some prior studies have attempted to explain that service quality is related to customer engagement (Lee *et al.*, 2018; Roy *et al.*, 2018a, 2018b; Verleye *et al.*, 2013). Customer engagement refers to emotional bonding with a brand or medium, which leads to more interaction with the object (Thakur, 2018). Roy *et al.* (2018b) have highlighted the significant effect of service convenience on customer engagement. Verleye *et al.* (2013) assert that overall service quality will have a significant influence on customer engagement behavior. In one hand, Ahn and Back (2018) assert that customer brand experience is a positive and significant antecedent of customer engagement. On the other hand, the brand experience is closely related to perceived service quality. Accordingly, we argue that when a customer has got a better service quality, it means that he/she has got a better brand experience and will have an intention to be engaged with the product or brand. Therefore, we propose a hypothesis that service quality is a significant antecedent of customer engagement (*H3*).

Service quality and customer loyalty

Service quality might have a significant effect on customer loyalty (Meesala and Paul, 2018; Murali *et al.*, 2016; Vera and Trujillo, 2013). Murali *et al.* (2016) have examined the link between customer satisfaction and customer loyalty in India. They studied 510 customers of a home appliances business. Their study found that service quality is a significant antecedent of customer loyalty. Meanwhile, Meesala and Paul (2018) have also studied the relationship between service quality and customer loyalty in 40 hospitals. They surveyed 180 undergone patients and found that service quality has a direct and positive impact on customer loyalty. In addition, Vera and Trujillo (2013) have also revealed that service quality has a direct and indirect positive relationship with customer loyalty. Therefore, we

argue that service quality is a positive antecedent of customer loyalty, then, we propose a hypothesis that service quality is a positive and significant influential factor of customer loyalty (H4).

Customer satisfaction and customer engagement

Prior studies have asserted that customer satisfaction has a relationship with customer engagement (Thakur, 2018; Gopalakrishna *et al.*, 2017; Carlson *et al.*, 2017; Simon and Tossan, 2018). Carlson *et al.* (2017) have highlighted that customer satisfaction is a moderating variable of the link between the value in brand experience and customer engagement. Moreover, Simon and Tossan (2018) argue that customer satisfaction is also an antecedent of brand Facebook page engagement. Accordingly, when a customer is satisfied with the product or brand, it will have an impact on his/her engagement with the brand/product. In addition, Thakur (2018) has examined the positive and significant relationship between customer satisfaction with retailer and customer engagement with the retailer mobile apps. He asserts that customer engagement will increase when the customer has satisfied with the retailer product and service. Therefore, we posit that customer satisfaction is a significant antecedent of customer engagement (H5).

Customer satisfaction and customer loyalty

Many previous studies have found that customer satisfaction has a significant effect on customer loyalty (Han and Hyun, 2018; Kamran-Disfani *et al.*, 2017; Meesala and Paul, 2018; Murali *et al.*, 2016; Vera and Trujillo, 2013). Meesala and Paul (2018) assert that one of the antecedents of customer loyalty is customer satisfaction. When a customer has satisfied with the service quality, he/she will be loyal to the product or service. Murali *et al.* (2016) have found a similar finding that customer satisfaction will lead to customer loyalty. Moreover, Kamran-Disfani *et al.* (2017) have examined the link between satisfaction and loyalty in home business appliance shoppers. They found that satisfaction has a significant impact on attitudinal and behavioral loyalty. Accordingly, we argue that this relationship will also occur in the Islamic banking sector. However, this relationship has been investigated in other service sectors and the study on this link is still neglected in the Islamic financial sector. Therefore, we posit that customer satisfaction will positively and significantly influence the loyalty of the Islamic bank's customer (H6).

Customer engagement and customer loyalty

According to some previous studies, customer engagement may influence customer loyalty (Chen and Rahman, 2017; Prentice *et al.*, 2019; Roy *et al.*, 2018b, Lee *et al.*, 2018). Prentice *et al.* (2019) have examined the relationship between social identification, customer engagement and purchase intention of a social community. They have asserted that customer engagement is a positive and significant antecedent of purchase intention. Furthermore, Lee *et al.* (2018) highlight that customer engagement is a mediating variable of the relationship between channel integration quality and repurchase intention. Meanwhile, repurchase intention is closely related to loyalty (Kingshott *et al.*, 2018). Accordingly, we argue that customer engagement will have a significant influence on customer loyalty. We propose a hypothesis that customer engagement has a significant and positive impact on customer loyalty (H7).

Research method

Population and sample

The population of this study is all customers of Islamic banks in West Sumatra. We collected the data from four municipalities/cities in West Sumatra, which have Islamic banks (Keuangan, 2017). The number of samples of this study is 400 respondents. The questionnaire of this study has 38 items. According to Hair *et al.* (2010), the number of samples should be 5-20 times of the number of items. In addition, the number of samples should be more than 200 because this study used structural equation modeling (SEM) as the data analysis technique (Byrne, 2010).

Measurement development

This study has constructed the variable measurement from some previous studies. There are five variable constructs in this research, including customer loyalty, customer engagement, customer satisfaction, religiosity and service quality. We adopted the measurement of customer loyalty from Meesala and Paul (2018). The variable of customer engagement has been taken from Verhagen *et al.* (2015). Moreover, we adopt customer satisfaction measurements from Meesala and Paul (2018). Religiosity construct in this research study has been adopted from Eid and El-Gohary (2015). Finally, we use bank service quality measurements from Karatepe *et al.* (2005).

Data collection procedures

This study has employed some steps in data collection procedures. First, we have developed the questionnaires and translated them to Bahasa Indonesia by using a back-translation procedure (Sekaran and Bougie, 2013). We deploy a five-point Likert scale from Strongly Disagree (1) to Strongly Agree (5). Second, we have done a pilot test to 30 respondents for ensuring the clarity of the items, wording, items relevancy, words and phrases bias and format of the questionnaire (Lee *et al.*, 2018). Third, after the pilot test, we distributed 400 questionnaires to 4 municipalities/cities in West Sumatra, which have Islamic bank branches (Keuangan, 2017; Darsono *et al.*, 2017). This study employed purposive sampling as the sampling method with two criteria (Sekaran and Bougie, 2013). The respondent criteria of this study are:

- (1) Islamic bank's customers; and
- (2) active customers in doing transaction within the past three months.

Data analysis

This study employed covariance-based structural equation modeling by using AMOS 24 as the software package (Byrne, 2010). In conducting SEM, we will meet the goodness-of-fit criteria (GoF). The criteria of GoF included normed chi-square (CMIN/DF), comparative fit index (CFI), Tucker–Lewis index (TLI), adjusted goodness of fit index (AGFI) and goodness of fit index (GFI) and root mean square error of approximation (RMSEA) (Byrne, 2010). The cut-off points for those criteria are <5 for CMIN/DF, ≥ 0.90 for CFI, TLI and GFI, ≥ 0.80 for AGFI and ≤ 0.08 for RMSEA (Bentler and Bonett, 1980; Akamavi *et al.*, 2015; Wardi *et al.*, 2018a). However, before the main analysis, we have done some preliminary analysis, such as outliers, normality (Patrisia and Dastgir, 2017), multicollinearity and heteroscedasticity test (Pallant, 2013; Hair *et al.*, 2010; Wardi *et al.*, 2018b). Therefore, we found that the data were free from those preliminary data problems and we got 335 usable responses. Furthermore, we have also conducted the validity and reliability test. Table I shows the construct

Constructs	Items	Mean	Std. Dev.	Loading	A	CR	AVE	Islamic bank's customer loyalty
Service quality					0.88	0.90	0.51	
	Employees of this bank instill confidence in customers	4.27	0.62	0.64				
	Employees of this bank are understanding of customers	4.06	0.70	0.64				
	Employees of this bank serve customers in good manner	4.38	0.59	0.60				
	There is a warm relationship between employees of this bank and customers	4.00	0.78	0.71				
	This bank does not make its customers stand in a queue for a long time	3.83	0.88	0.62				
	Employees of this bank enact transactions on a timely manner	4.11	0.64	0.67				
	Employees of this bank always help customers	3.80	0.80	0.65				
	Employees of this bank provide individualized attention to customers	4.01	0.70	0.66				
	Employees of this bank are willing to solve customer problems	4.19	0.68	0.64				
Religiosity					0.80	0.82	0.61	
	The Dua'aa (supplication) supports me	4.98	0.15	0.94				
	The Prophet Muhammad (peace-be-upon-him) is the role model for me	4.96	0.19	0.72				
	I believe that Allah (God) helps me	4.98	0.15	0.66				
Satisfaction					0.87	0.89	0.81	
	I am satisfied with the overall services of this bank	4.26	0.60	0.89				
	The services of this bank meet my expectation	4.15	0.70	0.91				
Customer engagement					0.82	0.85	0.65	
	I intend to stay on as a customer of this bank	4.20	0.76	0.79				
	I want to help other customers with their questions	4.00	0.74	0.82				
	I want to help the bank to improve its service	3.98	0.79	0.81				
Customer loyalty					0.78	0.75	0.50	
	I will increase the amount of my saving	3.99	0.75	0.71				
	I will use this Islamic bank despite the competitors' deals	4.41	0.73	0.61				
	I would prefer to use additional products and services in this bank	3.88	0.82	0.65				
	I will recommend this bank to others	4.18	0.78	0.76				

Table I.
Construct reliability and validity

reliability and validity by using loading factor value >0.5 (Hair *et al.*, 2010), average variance extracted (AVE) value >0.5 , Cronbach's alpha >0.7 , and composite reliability >0.7 (Hair *et al.*, 2014).

Moreover, this study has also examined discriminant validity by using Fornell–Larcker's criterion (Hair *et al.*, 2014; Abror *et al.*, 2019). In this test, we used the value of the square root of AVE as the cut-off point. Table II shows that the data have good discriminant validity

where the square root of AVE is greater than the cross-loading value. In addition, as this study is a cross-sectional study, it used self-rated questionnaires. Accordingly, the common method bias is a possible problem that can occur (Podsakoff *et al.*, 2003). Therefore, to anticipate this problem, we have done a common method bias test by using Harman's single factor method, hence, we found that the data were free from common method bias because the total variance for a single factor was 23.36 per cent (<40 per cent) (MacKenzie and Podsakoff, 2012; Wong *et al.*, 2011).

Results and analysis

This study used descriptive statistic and SEM as the main data analysis. Accordingly, this analysis has three components, including description of respondents, measurement model and structural model (Byrne, 2010). Therefore, the results are described as follows.

Description of respondents

Based on the descriptive statistic, this study found that most of the respondents have a monthly expenditure of less than or equal to IDR 5m (94.5 per cent). The average the transaction in Islamic bank per month is less than five times (87.9 per cent). Most of the respondents are women (57.1 per cent) and their age is less than 40 years old (87.9 per cent). Finally, they are university graduates (95.7 per cent). Accordingly, we may assume that the customers of Islamic banks are people with a productive age and have a good education level.

Measurement model

Figure 1 shows the measurement model of this study. Based on the criteria of the GoF, we found that the measurement model has a good fit model. The value of CMIN/DF is 1.45 (<5), the values of CFI, TLI and GFI are 0.98, 0.97 and 0.94, respectively (≥ 0.90), the value of AGFI is 0.92 (≥ 0.80) and the value of RMSEA is 0.04 (<0.08).

Structural model

Figure 2 shows the structural model of this study. Before doing the path analysis of each relationship, we have examined the GoF of the structural model. We also found that the structural model has a good fit index. The value of CMIN/DF is 1.49 (<5), the values of CFI, TLI and GFI are 0.99, 0.98 and 0.99 respectively (≥ 0.90), the value of AGFI is 0.96 (≥ 0.80) and the value of RMSEA is 0.04 (<0.08). Furthermore, Table III shows the hypothesis testing of this model. We found that service quality has a significant direct impact on satisfaction ($H1$; $\beta = 0.61$; ***) and customer engagement ($H3$; $\beta = 0.28$; ***). Table IV shows the link between service quality and customer satisfaction through religiosity as a moderating variable. This relationship is also significantly and negatively moderated by

Variable	1	2	3	4	5
Loyalty	0.71				
Satisfaction	0.47***	0.90			
Servqual	0.31***	0.54***	0.71		
Religiosity	0.13***	0.10	0.05	0.78	
Customer engagement	0.54***	0.45***	0.44***	0.06	0.81

Table II.

Discriminant validity **Notes:** Diagonal is the square root of AVE; *** p -value < 0.01; ** p -value < 0.05

CMIN/DF=1.455
 GFI=.943
 AGFI=.920
 CFI=.978
 TLI=.972
 RMSEA=.037

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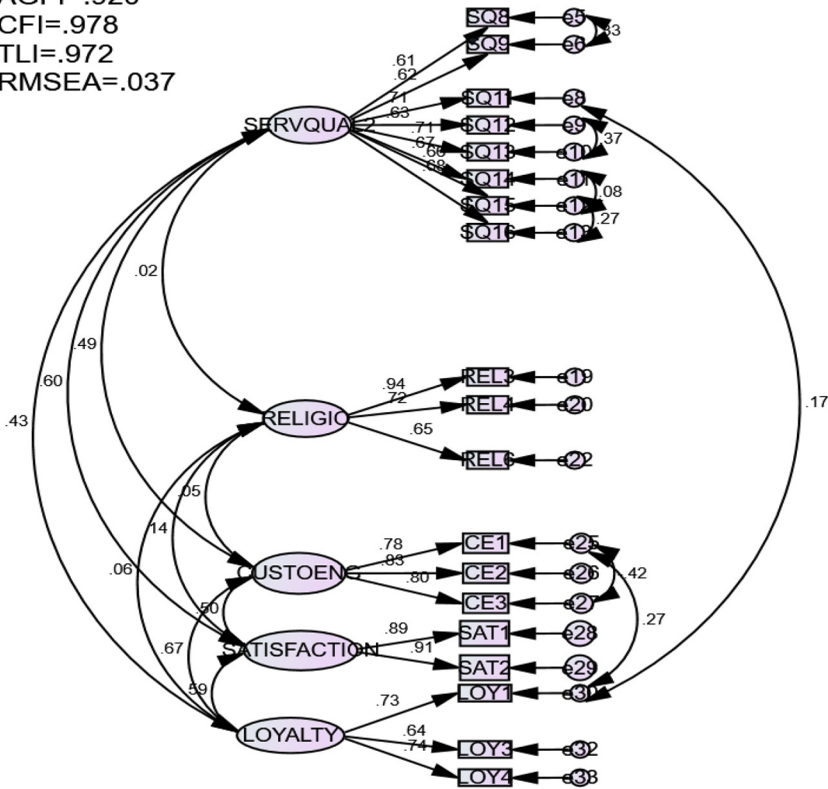


Figure 1.
 Measurement model

religiosity ($H2$; $\beta = -0.13$; **). However, service quality has no significant direct effect on customer loyalty ($H4$; $\beta = -0.05$; ns). Moreover, customer satisfaction has significant and direct impact on customer engagement ($H5$; $\beta = 0.30$; ***) and customer loyalty ($H6$; $\beta = 0.31$; ***). Finally, customer engagement also significantly affects customer loyalty ($H7$; $\beta = 0.43$; ***)).

Discussion

This study found that service quality has a significant and positive impact on customer satisfaction ($H1$). This finding is in line with several prior studies (Miranda *et al.*, 2017; Meesala and Paul, 2018; Vera and Trujillo, 2013). Customers will satisfy when they have perceived good service quality. In the Islamic bank context, the Islamic bank's manager or owner must concern with the quality of service such as the ability of the bank to help customers in doing a transaction; consequently, the bank has to provide reliable services (e.g. no long queue in transaction process) and create a warm relationship with the customers.

The moderating effect of religiosity on the relationship between service quality and customer satisfaction is also significant ($H2$), however, it has a negative relationship way. This finding is similar to some prior studies (Aysan *et al.*, 2018; Cantrell and Yust, 2018;

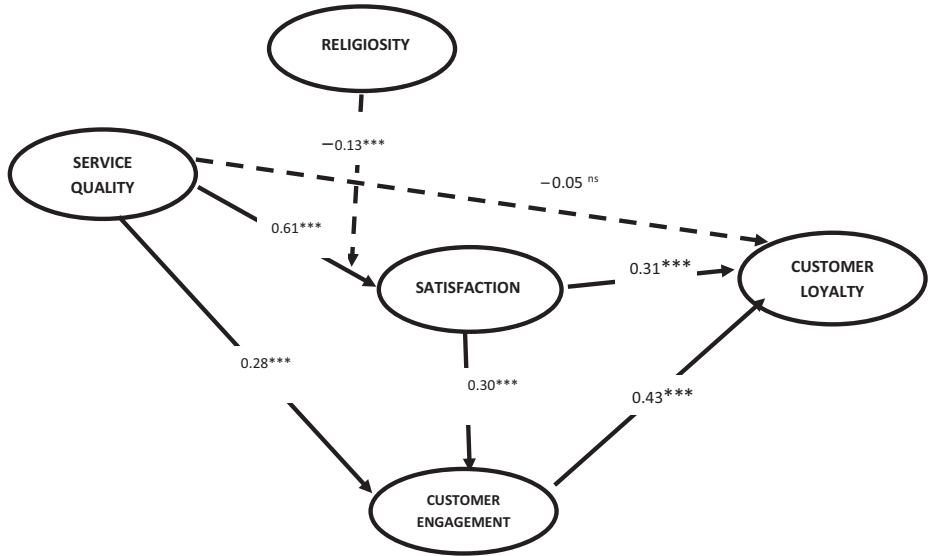


Figure 2.
Research model

Hypothesis	Coefficient	SE	p-value	Hypothesis verdict
Servqual – Satisfaction	0.608	0.052	0.000***	Supported
Servqual × Religiosity – Satisfaction	-0.134	0.115	0.006***	Supported
Servqual – Customer engagement	0.278	0.057	0.000***	Supported
Servqual – Loyalty	-0.047	0.055	0.378 ^{ns}	Not supported
Satisfaction – Customer engagement	0.297	0.057	0.000***	Supported
Satisfaction – Loyalty	0.307	0.056	0.000***	Supported
Customer engagement – Loyalty	0.427	0.051	0.000***	Supported

Table III.
Hypothesis testing

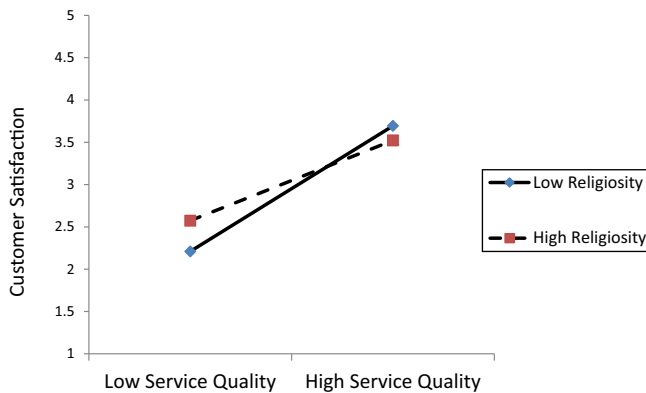
Notes: ***p-value < 0.01; **p-value < 0.05; ns = not significant

Variable	Model 1	Model 2
Intercept	-0.031	-0.014
Service quality	0.539***	0.608***
Religiosity	0.074 ^{ns}	0.048 ^{ns}
Interaction		
Religiosity × Service quality		-0.134**
R ²	0.300	0.312
R ² change	0.012	0.014**
F test	71.042***	50.115***

Table IV.
Moderated
mediation model

Notes: *** p-value < 0.01; ** p-value < 0.05; ns = Not Significant

Eid and El-Gohary, 2015). For instance, Eid and El-Gohary (2015) argue that religiosity has a significant moderating effect on the link between customer value and customer satisfaction in the tourism sector. Surprisingly, we found a negative moderating effect in this study, which is neglected in the prior studies (Zamani-Farahani and Musa, 2012). Figure 3 shows



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Figure 3.
Interaction effect

the interaction effect between service quality and customer satisfaction with religiosity as the moderating variable. The negative moderating effect means that the religiosity will decrease the relationship between service quality and customer satisfaction. The plausible reason for this is that when a customer has a good Islamic religiosity, he/she will have good religious beliefs and practices, hence, he/she will comply with the Islamic roles and asks for a higher standard in service quality based on his/her religious beliefs. Accordingly, people with higher religiosity will perceive the service in a higher standard compared to people with lower religiosity. Therefore, the religiosity of the customers will dampen the link between service quality and customer satisfaction.

This study has examined the link between service quality and customer engagement. We found that service quality is a significant and positive antecedent of customer engagement (*H3*). This finding supports several prior studies, which found that service quality may lead to customer engagement (Lee *et al.*, 2018; Ahn and Back, 2018; Roy *et al.*, 2018a). For example, Roy *et al.* (2018b) have investigated the impact of service convenience, fairness and quality on customer engagement. They found that service quality has a significant effect on customer engagement. When an Islamic bank has provided excellent service quality, it will create bonding with the customer. The customer will engage or the bonding may create more interaction between customer and company relating to customer engagement.

This study found that service quality has no significant direct effect on customer loyalty (*H4*). This finding does not support the prior studies who argue that service quality is an antecedent of customer loyalty (Meesala and Paul, 2018; Murali *et al.*, 2016). However, the service quality has an indirect impact on customer loyalty through customer satisfaction as the mediating variable. The plausible reason on it is that customer satisfaction is the main influential factor of loyalty (Han and Hyun, 2018); meanwhile, Miranda *et al.* (2017) argue that service quality is one of the main factors in creating customer satisfaction. Accordingly, when a customer of Islamic bank has perceived good service quality, he/she will have a higher satisfaction level, which may lead to his/her intention to be loyal with the Islamic bank. They might use the service more and will recommend that Islamic bank to others. Therefore, we argue that service quality is a significant factor in influencing customer loyalty through customer satisfaction as an intervening variable.

This research has highlighted that customer satisfaction affects customer engagement positively and significantly (*H5*). This finding is congruent with some prior studies (Carlson *et al.*, 2017; Simon and Tossan, 2018). Simon and Tossan (2018) have mentioned that when the customers are satisfied with the product, they will have more possible chance to be

engaged. Accordingly, Islamic banks must concern with customer satisfaction by providing better services, which lead to their intention to engage and interact with the Islamic banks.

This study also highlights that customer satisfaction positively and significantly influences customer loyalty (*H6*). This finding supports several prior studies (Han and Hyun, 2018; Meesala and Paul, 2018). For instance, Kamran-Disfani *et al.* (2017) have argued that customer satisfaction is an antecedent of customer loyalty (attitudinal and behavioral loyalty). Therefore, when the Islamic bank's customers have satisfied with the bank services, it will lead to their loyalty, such as increasing their transaction or recommend that bank to other people.

Finally, we found that customer engagement is also a positive and significant antecedent of customer loyalty (*H7*). This finding is in line with several studies (Prentice *et al.*, 2019; Roy *et al.*, 2018b; Lee *et al.*, 2018). The customers of Islamic banks will have a higher-loyalty level when they engage with the bank. Customer engagement, which relates to their sense of belonging and the level of the customer involvement is a key point to create their bonding and it will lead to the degree of the customer loyalty (attitudinal or behavioral loyalty).

In conclusion, this study supports some prior studies on the relationship between services quality, religiosity, customer satisfaction, customer engagement and customer loyalty. This study has contributed to the theoretical and practical aspect. The first theoretical contribution of this study is the role of religiosity in moderating the link between service quality and customer satisfaction. The previous studies have neglected in examining such relationship (Zamani-Farahani and Musa, 2012; Eid and El-Gohary, 2015). Therefore, to the best of our knowledge, this is the first study, which investigates the moderating role of religiosity on the link between service quality and Islamic bank customer satisfaction, especially in the Indonesian context. Moreover, the prior studies have only examined the link between service quality, customer satisfaction, customer engagement and customer loyalty partially (Thakur, 2016; Yao *et al.*, 2019; Meesala and Paul, 2018), whilst, this study has investigated all variables and employed religiosity as the mediating variable.

Furthermore, this study has also provided managerial implications. First, this study may help the managers of Islamic banks in creating a loyalty program. They will concern with how to create better customer satisfaction and customer engagement by using better service quality. Thus, when the Islamic banks' managers provide a better service quality training for their employees and also maintain their physical facilities, it will have a positive impact on customer satisfaction and customer engagement as the antecedents of customer loyalty. Second, Islamic bank has a unique customer because it is related to religiosity. Therefore, the managers have to develop the Islamic bank's product by considering the religious rules because the religiosity of the customer will moderate the link between service quality and customer satisfaction.

Limitation and future research

This study has highlighted some contributions; however, it also has some limitations. First, it is a cross-sectional study. Therefore, for further study, we suggest to expand it to a longitudinal study, which helps us to validate the causal mechanism and to get more generalized results. Second, this study is only a single country study (Indonesia). We suggest to expand it to other countries, such as ASEAN countries or other Muslim majority countries. Finally, this study only used service quality, customer satisfaction and customer engagement as the antecedents of customer loyalty. Therefore, for future studies we suggest to add other antecedents of customer loyalty, such as customer value co-creation and customer commitment. Furthermore, customer loyalty dimensions might be divided into attitudinal and behavioral loyalty (Meesala and Paul, 2018; Yao *et al.*, 2019).

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