



The Mediating Effect of Customer Satisfaction on Customer Loyalty: A Study of Islamic Banks in Indonesia

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Abstract

This study aims at analysing the influence of customer perceived value (CPV) and Islamic bank service quality (IBSQ) on customer satisfaction and customer loyalty, while considering the effect of customer satisfaction as an intervening variable. The population in this study is the customers of Islamic banks in Jambi province. Adopting the quantitative research approach, a survey was conducted on 280 customers of Islamic bank in Jambi. The sampling method applied is the non-probability method with purposive sampling technique. This study used SEM analysis method with Amos 21 and Sobel test. The findings of this study show that CPV and IBSQ influence customer satisfaction and CPV also influences customer loyalty. On the other hand, IBSQ and customer satisfaction do not influence customer loyalty. With the intervening variable, CPV and IBSQ do not influence customer loyalty at Islamic banks. This research suggests that the management team of Islamic banks in the Jambi province to improve on the service quality in responding to customer demand, customer needs and customer value in order to provide customer satisfaction which in the end, affect the customer loyalty to the Islamic banks in Jambi.

Keywords: Customer Perceived Value, Islamic Bank Service Quality, Customer Satisfaction, Customer Loyalty

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1. Introduction

The development of Islamic banking in Indonesia has started in the past 26 years ago. From 1991 to 2017, however, the market share of the Islamic banks remained small at 5.5% of the total national banking industry or about 406.23 trillion rupiahs (Setiaji, 2017). The small market share shows that the market penetration of the Islamic banks in Indonesia is still lower compared to that of the conventional banks. This fact is in contrast to the neighbouring country, Malaysia whose market share of the Islamic banking has already reached 23%.

Malaysia, on the other hand, has shown the advancement of its Islamic banking industry since it has gained strong support from the government for a long time. Indonesia has only gained the government support with the establishment of the National Islamic Finance Committee (KNKS) recently (Rostanti, 2017). However, its implementation is still not optimal. According to Clancy & Shulman (1994), loyal customers can save four to five times of the cost to acquire new customers. A number of products indicates that the cost of retaining current or old customers is 25% of the cost of getting a new customer. The cost required to get new customers is about five times higher than that of keeping old customers (Guiltinan et al., 1997 in Tjijtono, 2014). Therefore, gaining customer loyalty is an important aspect to be emphasised by the Islamic banks in order to increase market share with minimal cost.

Nowadays, Islamic banks must be able to accommodate the needs and expectations of its customers. Customer satisfaction should be increased since it is a good indicator for future earnings (Fornell, 2007). To Kotler and Keller (2016), customer loyalty is an indicator of business success. Previous researches have documented that customer perceived value (CPV) critically influences the level of customer loyalty (Afiff & Astuti 2009; Siddiqi 2011). Bayol et al. (2000) in the "The European Consumer Satisfaction Index" model uses CPV as a factor that influences customer satisfaction and loyalty.

Service quality is one of the key factors that serves as an advantage in banking industry since bank is a service company that has a special characteristic. Since it is easy to imitate products that have been marketed (Tjiptono, 2014), thus, one of the strategies that can support business success in the banking sector is to offer high service quality (Parasuraman et al., 1985). According to academics, customer satisfaction is a stand-alone construct and is influenced by the service quality (Yesenia & Siregar, 2014). Consequently, service quality is an important factor that influences customer loyalty (Kishada & Wahab, 2015; (Adrudin et al., 2016).

The lack of understanding in Islamic banking activities causes various misconceptions regarding the Islamic banking system. Some people think that Islamic banks are merely conventional banks that are labelled as Islamic. They assume that Islamic banks do not earn income because they do not run the system of interest (Hasan, 2010). Ahmad and Haron (2002) also argue that in general the knowledge of Islamic bank customers in Malaysia was still low. Meanwhile, similar findings were reported based on a recent survey conducting by the Indonesian Financial Services Authority or Otoritas Jasa Keuangan (OJK)(2016a).

In Indonesia, as in the case of Islamic banks in other parts of the country, the Islamic banks in Jambi Province has not shown significant development as reflected by the proportion of assets and financing and credit compared to conventional banks. The asset of Islamic banking in Jambi province is only about 5.92% of total assets of general banking which is not different from the total value of Islamic bank assets at the national level. Islamic banking assets in Jambi province actually decreased in 2016 compared to in 2015. In September 2016, Islamic banking assets was 2.22 trillion rupiahs or 5.92% of total banking assets in Jambi Province.

Third-Party Funds (DPK) of Islamic banking also declined compared to in 2015. Nevertheless, Islamic banking still strives to play its role in supporting economic growth and development as being seen in its high financing ratio (FDR) (Carlusa, 2016). Based on the results of the OJK survey in 2016, the level of knowledge in Islamic banking and finance in Jambi province is higher than the inclusion rate. It shows that the understanding of Jambi community in Islamic financial products is higher than the use of Islamic financial products itself. This phenomenon indicates that the lack of awareness of Jambi people in using Islamic financial products and services, despite their high knowledge of the Islamic banking and finance. On the other hand, in conventional banking, the rate of inclusion is higher than the level of literacy, suggesting that the use of conventional products and services among the Jambi community is higher than their understanding of conventional financial products and services. From the data above, it can be concluded that the contribution of Jambi community to the services and products of Islamic finance is still lower than that of conventional financial products and services (OJK, 2016b).

These facts indicate that some Jambi people already have knowledge about Islamic banking products and services but their contribution and loyalty to use the products and services of Islamic bank itself is still very low. A plausible explanation to this is due the lack of promotion of Islamic financial institutions and products of Islamic banks to the community. In addition, the development of Islamic economics and Islamic finance has not been well coordinated. Carlusa (2016) suggests that facilities and branch offices of Islamic banks are still limited, while the service quality especially the application process of personal financing is quite challenging. These obstacles give adverse effects on customer satisfaction and loyalty on the Islamic banks in Jambi.

2. Literature Review

2.1 Customer Perceived Value

Customer perceived value (CPV) is a fundamental marketing activity (Holbrook in East et al., 2012) being defined as an overall consumer assessment on the product benefits based on what they receive and what they have given (Zeithaml et al., 1993). Conceptually, there are four aspects of value, namely: 1) value is a low price; 2) value is what consumers want from a product; 3) value is the quality earned from the paid price; and (4) value is what consumer gets from what they have given.

CPV is the results or benefits received by customers in relation to the total cost (including the paid price and other costs associated with the purchase). In other words, value is the difference between the benefits received and the costs spent (McDougall & Levesque, 2000). A study by Afiff and Astuti (2009) uses CPV variable in various dimensions including functional dimension, social dimension, emotional dimension and

spiritual dimension. Suryani (2014) uses CPV variable that is functional value of professionalism, value of quality, price value, emotional value, social value and spiritual value.

Suryani (2014) creates a model for measuring customer value of Islamic banking customers. The study uses a GLOVAL (global purchase perceived value) measurement model developed by Rober et al., (2006). The model was subsequently adopted by Roig et al. (2006) who measured CPV based on six functional dimensions such as the functional value of an organization building, value of functional professionalism, value of service, value of price, emotional value, social value and an adding a new dimension, namely spiritual value. This study adopts and combines the customer value models examined by Suryani (2014) and Afiff and Astuti (2009).

2.2 Islamic Bank Service Quality (IBSQ)

Service quality is an important issue in the banking industry. A number of studies have developed service quality instruments for Islamic banks (Stafford, 1996) with most of them have used SERVQUAL as a starting point to alter or to add items to reflect the location and organisational differences (Jabnoun and Khalifa, 2005; Abdullah et al., 2011)

Service quality can be measured using the Islamic Bank Service Quality (IBSQ) index developed by (Misbach et al., 2013). Specifically, the research by Misbach et al. (2013) adopted the study of Abdullah et al. (2011) by combining the dimensions of Islamic compliance developed by Othmen and Owen (2001). It was then developed by Misbach et al. (2013) into IBSQ to measure the quality of special services offered by the Islamic banking sector in Indonesia. The IBSQ dimensions used in this study are (1) service system, (2) reliability, (3) responsiveness, and (4) Islamic compliance.

2.3 Customer Satisfaction

Kotler and Armstrong (2014) defined customer satisfaction as a level in which a product received by a buyer according to his expectation. Consumer satisfaction depends on the actual performance of the product. As the consumers have various levels of satisfaction, a product that does not meet buyer's expectations results in the buyer to be un-satisfied. Consumer satisfaction involves the level of consumer feeling after comparing his purchase with his expectations.

According to Mowen and Minor (2001), customer satisfaction is defined as the overall attitude shown by consumers on goods or services after they received and used them. This is an evaluative assessment based on the experience of using or consuming the goods or services. The level of satisfaction of customer service is an important factor in developing a customer service system that is responsive to customer needs; that could minimize time and cost; and that which could optimise the impacts on target populations of the provided services (Kusumasitta, 2014).

In the banking sector especially Islamic banking, some empirical studies were conducted on the effect of customer satisfaction on customer loyalty such as Kishada and Wahab (2015) and Rahmani et al. (2014). The results of their researches show that customer satisfaction influences customer loyalty. For the present study, the dimensions of customer satisfaction are adopted from Sureshchandar et al. (2002), namely (1) main service (service product), (2) service element (human element), (3) service system (non-human element), (4) physical service, and (5) social responsibility.

2.4 Customer Loyalty

Customer loyalty is a strategy that creates rewards for mutual benefit both for companies and customers (Reichheld and Detrick, 2003). One of the benefits is that companies can increase income and customers get special benefits and feel secure. Customer loyalty can be classified as brand loyalty, service loyalty, and loyalty in saving (Dick and Basu, 1994). Fullerton and Taylor (2000) distinguished the concept of loyalty to three types, namely: 1) repurchase intention, i.e. a strong desire of the consumer to buy back a certain service; 2) advocacy intention; 3) pay more, i.e. a willingness to pay more.

In order to retain customers, it is important for the company to develop the concept of loyalty. This concept is a fairly broad concept to use. Oliver (2015) mentions four phases of loyalty, namely (1) cognitive loyalty (brand belief), (2) affective loyalty (a desire or an attitude towards a brand based on some satisfying experiences), (3) conative loyalty (a commitment to repurchase) and (4) action loyalty (a readiness to act).

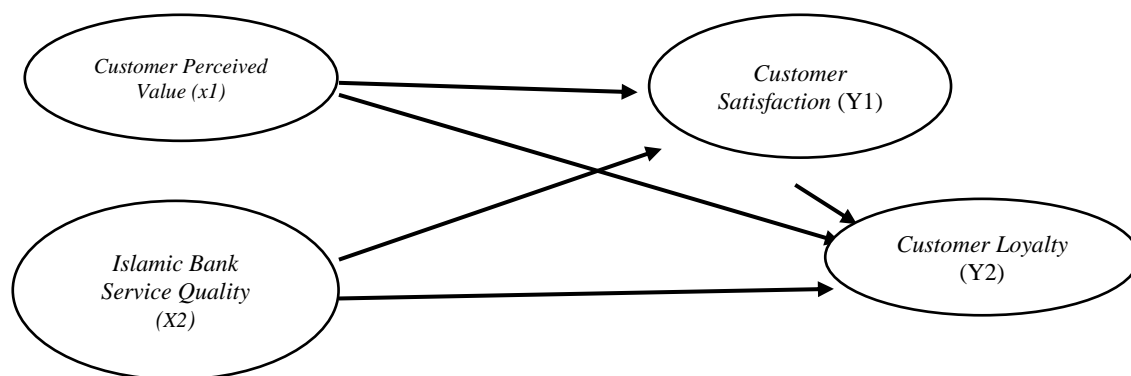
Keaveney in Trasorras et al. (2009) mentions factors that cause a person to become disloyal such as,

price, inconvenience, failure in delivering services, employee responses, attraction from competitors, and ethical problems (Kurniawan & Shihab, 2015). The dimensions used in this study are adopted from a research by (Rafidah, 2017) which are repurchasing, recommendation to other parties and not choosing Islamic bank as the main choice in doing financial activities.

3. Research Framework

The research framework of this study presented in Figure 1 below. As shown in Figure 1, the objective of this research is to investigate the relationship between CPV and IBSQ with customer satisfaction and customer loyalty with a mediating variable of customer satisfaction and without a mediating variable.

Figure 1. Research Framework



4. Research Hypotheses

The following hypotheses are proposed for this study:

- H1: Customer Perceived Value influences customer satisfaction at Islamic Bank in Jambi Province
- H2: Customer Perceived Value influences customer loyalty at Islamic Bank in Jambi Province
- H3: Islamic Bank Service Quality influences customer satisfaction at Islamic Bank in Jambi Province
- H4: Islamic Bank Service Quality influences customer loyalty at Islamic Bank in Jambi Province
- H5: Customer satisfaction influences customer loyalty at Islamic Bank in Jambi Province
- H6: Customer Perceived Value influences customer loyalty at Islamic Bank in Jambi Province with the mediation of customer satisfaction as an intervening variable
- H7: Islamic Bank Service Quality influences customer loyalty at Islamic Bank in Jambi Province with the mediation of customer satisfaction as an intervening variable

5. Research Methodology

This study adopts a quantitative research approach, with the data collected using survey questionnaires. In the early stage of data collection, pre-test questionnaires were distributed to 30 samples in efforts at testing the reliability of each statement in the questionnaire. The sampling method in this research is non-probability sampling method with purposive sampling technique. The sample was chosen with some purposes and consideration (Sekaran & Bougie, 2016). Therefore, the characteristics of respondents in this study are as follows:

1. The respondent is a customer of an independent Islamic bank which has its own system and it is not a part of another bank with the conventional system (Islamic business unit) in Jambi province.
2. Customers who are not bank employees, either employee of Islamic banks or conventional banks.
3. Customers who have used the products and services of Islamic banks for at least one year.

The population of this study is all customers of Islamic banks in Jambi province. A technique proposed by Hair et al. (2016) is used to determine the number of the samples. In order to get samples that have a power of 1.0 with the level of significance of 95% and the error rate of 5% ($\alpha = 0.05$), the number of samples taken in this study is two hundred and eighty customers (280). Instruments in this study consist of four variables, namely: two exogenous variables (CPV and IBSQ) and two endogenous variables (customer satisfaction and customer loyalty) with customer satisfaction as an intervening variable. This study uses a Likert scale with five categories, namely:

- Category 1: Strongly Disagree;
- Category 2: Disagree;
- Category 3: Undecided
- Category 4: Agree
- Category 5: Strongly Agree.

This is used to collect quantitative data and to know the influence of CPV and IBSQ on customer satisfaction and loyalty. Quantitative data analysis using the Structural Equation Modelling (SEM) with the AMOS tool was used to test the direct influence and a Sobel test was adopted to examine the influence of exogenous variables on endogenous variables by the mediation of intervening variables.

Table 1. Research Variables

No.	Variables/Dimensions	Indicator	Number	Variables/Dimensions	Indicator
1.	<i>Customer Perceived Value (CPV). Source: (Afiff & Astuti, 2009); (Suryani, 2014)</i>		3.	Customer satisfaction. (Sureshchandar et al., 2002)	
	A. Functional value of buildings (CPVFG)	2		A. Main service (Service product) (KNPL)	3
	B. Functional value of Professionalism (CPVFP)	6		B. Service element (Human element) (KNEM)	10
	C. Quality value (CPVNK)	3		C. Service system (non-human element) (KNSP)	3
	D. Price value (CPVNH)	4		D. Physical service (Non-human) (KNLF)	5
	E. Emotional value (CVPNEM)			E. social responsibility (KNTJ)	6
	F. Social value (CPVNS)	5			
	G. Spiritual value (CVPSP)	3			
		10			
2.	<i>Islamic Bank Service Quality (IBSQ) (Misbach et al., 2013)</i>		4.	Customer Loyalty (Rafidah, 2017)	
	A. Islamic compliance (SQKS)	7		A. Repurchasing (LNPB)	1
	B. Service System (QSL)	8		B. Recommendation to other parties (LNRK)	3
	C. Responsive (SQRES)	5		C. Not switching /main choice (LNPU)	2
	D. Reliability (SQKEH)	7			

6. Results and Analysis

Information about the characteristics of respondents in this study include gender, age, level of education, occupation, monthly income, number of visits to Islamic banks, and period of being Islamic bank customer are reported in Table 2.

Table 2. Profile of Respondents

	Category	N	%
Gender	Male	77	28
	Female	203	73
Age	< 21 year old	4	1
	21-30 year old	75	27
	31-40 year old	121	43
	41-50 year old	60	21
	51-60 year old	13	5
	> 60 year old	7	3
Level of Education	Elementary School (SD)	0	0
	Junior High School (SMP)	0	0
	Senior High School (SMA)	48	17
	Diploma 3	15	5
	Bachelor Degree S1	167	60
	Master Degree S2	42	15
	Doctoral Degree S3	8	3
Occupation	Civil servants/ Lecturers/	157	56
	Teachers/Armed Forces of the	30	11
	Republic of Indonesia/Indonesian	22	8
	National Police	34	12
	Private Employee	37	13
	Businessman/Entrepreneur		
	Students Retired civil servants/Others		
Income	< 2 Million	52	19
	2 – 6 Million	160	57
	6 – 10 Million	41	15
	> 10 Million	27	10
Number of visits to Islamic Bank	1 time	223	80
	More than 1 time	57	20
Period of being Islamic bank customer	1-3 years	43	15
	3-5 years	64	23
	5-7 years	56	20
	7-9 years	72	26
	More than 9 years	45	16

The first step in this research was to conduct a pre-test by distributing questionnaires with 126 statements to 30 respondents in order to find out the measurement model and to test the validity and reliability of the statements which will be used in this research. The pre-test results showed that not all correlation values for each indicator was above ($r\text{-table} = 0.361$) for $N = 30$. This result proved that there were 15 invalid statements and 111 valid statements.

Then, the questionnaires containing 111 statements were distributed to 280 respondents. The results of instrument validity and reliability testing on 280 respondents for four variables are shown in Table 3 below.

Table 3. Results of Validity Test

Dimensions	Variables	Cronbach's alpha	Notes
<i>Customer Perceived Value</i> (X1)	CPVFG	0.599	Valid
	CPVFP	0.649	Valid
	CPVNK	0.668	Valid
	CPVNH	0.693	Valid
	CPVNEM	0.745	Valid
	CPVNES	0.711	Valid
	CPVSP	0.673	Valid
<i>Islamic Bank Service Quality</i> (X2)	SQKS	0.629	Valid
	SQSL	0.761	Valid
	SQRES	0.781	Valid
	SQKEH	0.772	Valid
Customer Satisfaction (Y1)	KNPL	0.702	Valid
	KNEM	0.759	Valid
	KNSP	0.766	Valid
	KNLF	0.667	Valid
	KNTJ	0.720	Valid
Customer Loyalty (Y2)	LNPB	0.749	Valid
	LNRK	0.821	Valid
	LNPU	0.761	Valid

Table 3 above shows all correlation values for each indicator is above (r -table = 0.117) for $N = 280$, implying that the entire statements on the indicator are valid. For reliability test, the results are presented in Table 4 below.

Table 4. Results of Reliability Test

Variables	Alpha Coefficient	Notes
<i>Customer Perceived Value</i> (X1)	0.765	Reliable
<i>Islamic Bank Service Quality</i> (X2)	0.795	Reliable
Customer Satisfaction (Y1)	0.788	Reliable
Customer Loyalty (Y2)	0.826	Reliable

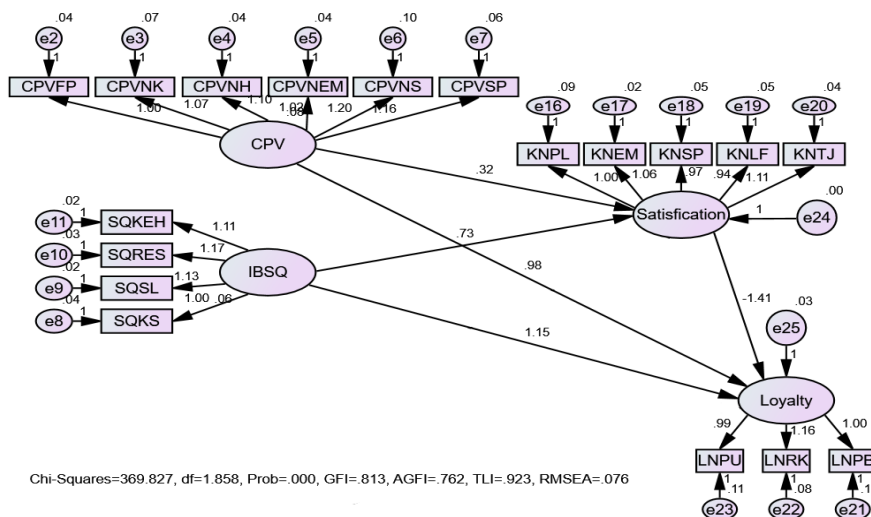
The linearity test was conducted by using the Curve Fit method, which was calculated with SPSS 22 software. Table 5 shows the linearity test results of the relationship among variables.

Table 5. Results of Multi-collinearity Assumption

Relationship among Variables		Tolerance Value	VIF	Decision
<i>Customer Perceived Value</i> (X1)	Customer satisfaction (Y1)	0.199	5.021	Linear
<i>Customer Perceived Value</i> (X1)	Customer loyalty (Y2)	0.199	5.021	Linear
<i>Islamic Bank Service Quality</i> (X2)	Customer satisfaction (Y1)	0.186	5.385	Linear
<i>Islamic Bank Service Quality</i> (X2)	Customer loyalty (Y2)	0.186	5.385	Linear

Based on Table 5, the assumption of multi-collinearity, the Tolerance Value is greater than 0.10 and the VIF value is less than <10.00 . Thus, it can be concluded that there is no multi-collinearity in this study. The results the *measurement* model is measured by four dimensions and twenty-one indicators. The results of the confirmatory factors on the indicators of each variable can be seen in Figure 3.

Figure 3. Results of the Measurement Model Test



As shown in Figure 3, twenty-one indicators are able to measure the research model because the results of the GFI (goodness for fit) calculation are greater than 0.80 which is 0.813 and the loading factors of each indicator exceeds or ≥ 0.5 , indicating the overall variables and indicators are proven to be a construct model in this study. The results of the test of the direct influences of the overall dimensions can be seen in Table 6.

Table 6. Results of Hypothesis Test for Direct Influences

Free Dimensions	Bound Dimensions	Coefficient SEM	P-Value	Notes
Customer Perceived Value (X1)	Customer Satisfaction (Y1)	0.429	0.000	Significant
Islamic Bank Service Quality (X2)	Customer Satisfaction (Y1)	0.863	0.000	Significant
Customer Perceived Value (X1)	Customer Loyalty (Y2)	1.091	0.042	Significant
Islamic Bank Service Quality (X2)	Customer Loyalty (Y2)	1.127	0.269	Not Significant
Customer Satisfaction (Y1)	Customer Loyalty (Y2)	-1.172	0.311	Not Significant

The results of the test for hypothesis 1 (H1) in this study indicate that CPV influences customer satisfaction at Islamic bank in Jambi province. It can be seen from the p-value between CPV variable and customer satisfaction of 0.000 less than 5% (P-value $< 5\%$) in Table 6. The results for H1 test are in line with the previous studies (Seiler et al., 2013; Kesisidou et al., 2013). It claims that CPV influences customer satisfaction. The results H2 test shows that CPV influences customer loyalty at Islamic bank in Jambi province. We can see that the p-value between CPV variable and customer loyalty is of 0.042 $< 5\%$ in Table 6. The results of H2 test are in line with the research conducted by Rahab et al. (2015); and Seiler et al. (2013) who also claim that CPV influences customer loyalty.

The results of H3 test indicate that IBSQ influences customer satisfaction. It is seen from the p-value value between IBSQ and customer satisfaction that is equal to 0.000 $< 5\%$ in Table 6. This result is in line with previous research by Misbach et al. (2013) and Wijaya et al. (2017) who also state that customer satisfaction influences customer satisfaction in Islamic banks. H4 shows that IBSQ does not influence

customer loyalty. The p-value value between IBSQ and customer loyalty is $0.269 > 5\%$. The results of this study are contrary to the results of previous studies by Mahyuni and Firdaus (2014) and Rafidah (2017) who claim that service quality influences customer loyalty at Islamic banks. However, the results of hypothesis 4 (H4) in this study are in line with previous research conducted by Alshurideh et al. (2017), Ahmed et al. (2016), Ridwan et al. (2017), and Rama (2017) who claim that service quality does not influence customer loyalty at Islamic banks.

The results of H5 test indicate that customer satisfaction does not influence customer loyalty at Islamic banks in the Jambi province. Table 6 shows the p-value between customer satisfaction and customer loyalty is equal to $0.311 > 5\%$. The results of this study are contrast with previous studies conducted by Rahab et al. (2015), Srivastava (2015), and Wang et al. (2016), who claim that customer satisfaction influences customer loyalty. However, the results of this study are in line with studies by Badara et al. (2013) and Rama (2017) who confirm that customer satisfaction has no influence on customer loyalty.

The Sobel test was used to examine the influence of exogenous variables (CPV, IBSQ) on endogenous variables (IBSQ) mediated by intervening variables (customer satisfaction) in this study (Preacher and Leonardelli, 2010). In the Sobel test, Estimated Values and Standard Error Values of the free dimension relationship to dependent variables are required. Table 7 shows the estimated values and standard values.

Table 7. Prediction Value of Hypothesis Results without Mediation

Free Dimensions	Bound Dimensions	Estimation	S.E
<i>Customer Perceived Value</i> (X1)	Customer Satisfaction (Y1)	0.321	0.054
<i>Islamic Bank Service Quality</i> (X2)	Customer Satisfaction (Y1)	0.728	0.105
Customer Satisfaction (Y1)	Customer Loyalty (Y2)	-1.413	1.396

Table 8. Results of Hypothesis Test with Intervening Dimensions

Free Dimensions, Intervening, and Bound	p-value	Notes
X1→Y1→Y2	0.318	Not Significant
X2→Y1→Y2	0.316	Not Significant

The result of coefficient analysis of CPV's influence on customer loyalty mediated by customer satisfaction by using a single test is a p-value of 0.318. The p-value is $> 5\%$, thus there is not enough empirical evidence to accept hypothesis 6 (H6). This means that CPV does not have influence on customer loyalty at Islamic banks in Jambi province through a mediation of customer satisfaction as the intervening variable. Previous studies found that CVP influences customer loyalty through the mediation of customer satisfaction. The findings of this research are in contrast to research conducted by Jayakodi et al. (2016), Ishak and Azzahroh (2017), who claim that CVP influences customer loyalty through the mediation of customer satisfaction.

The results of H7 test in this study indicate that IBSQ does not influence customer loyalty through the mediation of customer satisfaction. The Sobel test shows the p-value of 0.316. The p-value of $> 5\%$ means that there is enough empirical evidence to reject hypothesis 7 (H7). These results are contrary to the studies conducted by Ishak and Azzahroh (2017) and Sunaryo (2013), who claim that service quality does not influence customer loyalty at Islamic banks through the mediation of customer satisfaction.

The results of H7 in this study are in line with other research Rama (2017) and Badara et al. (2013) who claim that service quality does not influence customer loyalty through the mediation of customer satisfaction at Islamic banks. This indicates that the level of service quality does not guarantee the loyalty of the customers to the Islamic banks.

7. Conclusions

The results of this study show that CPV and IBSQ influence customer satisfaction. CPV also influences customer loyalty whereas IBSQ does not influence customer loyalty. Customer satisfaction also does not influence customer loyalty. CPV and IBSQ do not influence customer loyalty through the mediation of customer satisfaction at Islamic banks in Jambi province.

According to the theory of justice, everything in balance and has a high CPV level can significantly increase customer satisfaction and loyalty (Oliver and DeSarbo, 1988 in Yang and Peterson, 2004). The

Islamic bank management can maximise the values of the CPV dimensions by adjusting the needs and expectations of customers in order to increase customer satisfaction which influences customer loyalty to Islamic banks. They also have to improve the service quality from the reliability aspect to increase customer satisfaction and loyalty at Islamic banks.

Customer satisfaction is an important factor to gain customer loyalty and retention although it does not guarantee a repeat purchase (Mohsan et al., 2011) because customer satisfaction is not the only factor that influences customer loyalty.

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