

Determinants of Customer Loyalty Toward Islamic Financial Products: The Role of Perceived Value, Satisfaction, and Religious Commitment

Effendi Sadly*

*Universitas Islam Sumatera Utara, Indonesia

Correspondence Authors: effendi.sadly@fe.uisu.ac.id

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Abstract

This study investigates the determinants of customer loyalty toward Islamic financial products, focusing on perceived value, customer satisfaction, and religious commitment. The Islamic finance sector has experienced significant growth, attracting customers seeking ethical financial solutions compliant with Sharia principles. Understanding the factors that drive customer loyalty is crucial for Islamic banks aiming to cultivate long-term relationships. Utilizing a quantitative approach, data were collected through surveys distributed to customers of Islamic banks. The findings reveal that both perceived value and customer satisfaction significantly influence customer loyalty, with perceived value leading to a stronger commitment among customers. Additionally, religious commitment was found to moderate the relationship between perceived value and loyalty, indicating that customers with higher religious commitment derive greater loyalty from their perceived value of Islamic financial products. These insights suggest that Islamic banks should enhance the perceived value of their offerings by highlighting both financial and spiritual benefits. Furthermore, improving customer satisfaction through high-quality service and responsiveness to client needs is essential for fostering loyalty. This study contributes to the understanding of customer behavior in the Islamic finance sector and provides practical implications for Islamic financial institutions seeking to strengthen customer loyalty. By aligning products with customer values and enhancing service quality, Islamic banks can effectively build and maintain lasting relationships with their clients, ultimately positioning themselves for sustained growth in a competitive market.

Keywords: Customer Loyalty, Islamic Financial Products, Religious Commitment

INTRODUCTION

The Islamic finance industry has seen considerable growth over the past few decades, driven by a rising demand for financial products that comply with Sharia principles. Islamic financial products are designed to offer ethical alternatives to conventional banking, appealing to individuals seeking both financial and spiritual fulfillment (Hassan & Lewis, 2007). However, understanding the factors that drive customer loyalty in this context is essential for Islamic banks to maintain a competitive edge and foster long-term relationships with their clients (Ali et al., 2016).

Customer loyalty is defined as a customer's commitment to repurchase or continue using a brand (Dick & Basu, 1994). In the context of Islamic finance, loyalty may be influenced

by various factors, including perceived value, customer satisfaction, and religious commitment (Mohammed & Hossain, 2021). This study aims to explore these determinants and their interrelationships, providing insights for Islamic financial institutions to enhance customer loyalty.

This study aims to explore these determinants and their interrelationships, providing insights that can help Islamic financial institutions enhance customer loyalty. By examining the roles of perceived value, customer satisfaction, and religious commitment, this research contributes to a deeper understanding of customer behavior in the Islamic finance sector, offering practical recommendations for Islamic banks to foster long-term relationships with their clients.

LITERATURE REVIEW

Perceived Value

Perceived value refers to the customer's overall assessment of the utility of a product or service based on perceptions of what is received and what is given (Zeithaml, 1988). In Islamic finance, perceived value encompasses both financial benefits and spiritual satisfaction derived from products that comply with Islamic principles (Suhail & Niazi, 2018). Research indicates that higher perceived value can lead to increased customer loyalty (Gonzalez et al., 2019).

Customer Satisfaction

Customer satisfaction is a critical driver of loyalty, representing a customer's contentment with a product or service (Oliver, 1999). Satisfied customers are more likely to engage in repeat transactions and recommend the service to others (Khan et al., 2020). In Islamic finance, satisfaction may stem from the alignment of products with religious values, as well as the quality of service provided by Islamic banks (Hussain et al., 2020).

Religious Commitment

Religious commitment refers to the degree to which an individual adheres to their religious beliefs and practices (Gonzalez et al., 2019). In the context of Islamic finance, higher levels of religious commitment can enhance the perceived value of Islamic financial products, as they align closely with the individual's moral and ethical standards. Studies have shown that religious commitment can significantly influence customer loyalty in the Islamic banking sector (Siddiqi, 2016).

METHODOLOGY

Research Design

This study employs a quantitative research design, utilizing a structured questionnaire to collect data from customers of Islamic banks. The sample includes individuals who have used Islamic financial products within the last year.

Data Collection

Data was collected through online surveys distributed to Islamic bank customers across various regions. The questionnaire includes items measuring perceived value, customer satisfaction, religious commitment, and customer loyalty. A total of 300 responses were received, providing a robust dataset for analysis.

Data Analysis

The data was analyzed using Structural Equation Modeling (SEM) to assess the relationships between the variables. This method allows for the examination of complex relationships and the testing of multiple hypotheses simultaneously.

RESULTS AND DISCUSSIONS

Findings

Descriptive Statistics

The sample consisted of 300 respondents, with a diverse demographic profile. The majority were between the ages of 25-40, representing a significant segment of Islamic banking customers.

Hypothesis Testing

1. **Perceived Value and Customer Loyalty:** The analysis revealed a positive and significant relationship between perceived value and customer loyalty ($\beta = 0.45$, $p < 0.01$), indicating that customers who perceive higher value in Islamic financial products are more likely to remain loyal.
2. **Customer Satisfaction and Customer Loyalty:** A strong positive correlation was also found between customer satisfaction and loyalty ($\beta = 0.50$, $p < 0.01$), suggesting that satisfied customers are more inclined to continue using Islamic banking services.
3. **Religious Commitment as a Moderator:** The results indicated that religious commitment moderates the relationship between perceived value and customer loyalty ($\beta = 0.30$, $p < 0.05$). This suggests that for customers with high religious commitment, the perceived value has a stronger impact on loyalty compared to those with lower levels of commitment.

Discussion

The findings highlight the importance of perceived value and customer satisfaction in fostering loyalty toward Islamic financial products. Islamic banks should focus on enhancing the perceived value of their offerings by emphasizing the ethical and spiritual benefits of their products.

Additionally, customer satisfaction should be prioritized through high-quality service and responsiveness to client needs. The moderating role of religious commitment underscores the necessity for Islamic banks to tailor their marketing strategies to resonate with the values of their target audience.

Implications

The study's findings have practical implications for Islamic financial institutions. By understanding the determinants of customer loyalty, banks can design strategies to enhance perceived value and satisfaction, ultimately fostering long-term customer relationships.

Training staff to provide exceptional service and promoting the spiritual benefits of Islamic financial products could enhance customer satisfaction and loyalty. Furthermore, marketing efforts should consider the varying levels of religious commitment among customers, tailoring messages to resonate with their beliefs.

CONCLUSION

This study contributes to the understanding of customer loyalty in the Islamic finance sector by highlighting the roles of perceived value, customer satisfaction, and religious commitment. As the industry continues to grow, Islamic banks must focus on these determinants to build and maintain strong customer loyalty. Future research should explore additional factors influencing loyalty and consider longitudinal studies to assess changes over time.

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