




Nazakat Khan¹, Waqas Patras² & Ahmed Saeed³

¹Ph.D Scholar, Department of Management Sciences, Qurtaba University, D.I.Khan, Pakistan

²MS Scholar, Hailey College of Commerce, Lahore, Punjab, Pakistan

³Assistant Professor, Noon Business School, University of Sargodha, Sargodha, Pakistan

KEYWORDS	ABSTRACT
Service Quality, Customer Engagement, Customer Satisfaction, Customer Loyalty, Religiosity	<p>The study intends to investigate determinants of customers' loyalty to Islamic banks, particularly service quality, customer satisfaction, as well as customer engagement. Moreover, the current study looked into the role of religiosity in moderating the relationship between the observed variables. For the purpose of this study, 335 customers of Islamic banks in Pakistan participated in this survey. This research used the purposive sampling and structural equation modelling to analyse the data. The outcome of this research indicated that there is clear relationship amid high levels of customer satisfaction, customer engagement, customer service quality, and customer loyalty. In addition, the findings indicated that religiosity has a moderating relationship with the observed variables. This research takes a cross-sectional approach while also focusing on a case study of specific nation. Results offer valuable information and as a consequence, the findings may not be indicative of the situation in other nations. The research, including the gathering of longitudinal data, is carried out in similar manner in other nations, making it useful to participate in such a study.</p> <p> 2023 Journal of Social Research Development</p>
Corresponding Author	Nazakat Khan
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INTRODUCTION

In the context of the international monetary system, the banking industry is an essential sector. The banking industry has the largest proportion of total market revenue in financial sector (Manyanga, Makanyeza & Muranda, 2022). In addition to this, Pakistan is already well-known for being the nation that is home to world's biggest Muslim population. From the view point of Islam, all activities,

including business and economics are required to be in accordance with Islamic law (Abror, Patrisia, Engriani, Evanita, Yasri & Dastgir, 2020). According to the findings of a number of earlier research, there is a correlation between level of customer satisfaction and the quality of the services that are offered by a business. The degree of satisfaction that a customer receives from a business is one of the factors that plays role in determining client loyalty to that organization (Kumar, Mokha & Pattnaik, 2022). Customer loyalty indirectly serves to increase organizational performance, it does contribute to improvement of organization performance (Mokha & Kumar, 2022). Satisfaction of its consumers is top goal for significant percentage of the firms. If a company can boast happy customers, they can fairly claim to have met their success goal. Research upon quality of service and degree of customer satisfaction is widely done in management studies for more than three decades. This research has been carried out in diverse settings, including educational institutions and financial organizations (Mokha & Kumar, 2022).

For instance, research conducted by Abror et al. (2020) showed that there was a positive association between the quality of service offered and the degree of customer satisfaction in banking business. This was shown to be case in both retail and online banking. In addition, the findings of this study showed that high levels of customer satisfaction may be associated with high levels of commitment and loyalty to banking services (Mokha & Kumar, 2022). If a bank has reputation for being honest, devoted to delivering outstanding service, reliable, and effective when dealing with the clients, and proficient in efficiently addressing customer concerns, then it is more probable that consumers will stay loyal to the bank. According to the findings of additional research, the quality of the service has an effect on the loyalty of customers (Muharam et al., 2021). Such a conclusion gives credibility to the findings of earlier research, which found a strong correlation between service quality and employee loyalty. This, in turn, impacts level of satisfaction and loyalty experienced by customers, which ultimately leads to an increase in profitability (Sukendia & Harianto, 2021). According to Ahmed et al. (2022), customer loyalty is the consequence of a company offering a benefit for the consumers in the hopes that the customers would continue making purchases or raise the amount that they spend.

Previous research has shed light on few factors that have been shown to be associated with customer loyalty. Customer satisfaction, customer engagement, and the quality of the service are all included in these categories. This study's objective is to determine the nature of the relationship that exists between service quality, customer engagement, service quality, and customer loyalty. Remarkably, this research also investigates the moderating impact of religion on link between service quality and customer satisfaction, which is a topic that has historically gotten relatively little attention. In the past, this has been a fairly ignored area of study. Researchers, Afifah and Kurniawati (2021) investigated the impact that a person's religion has on the degree of customer satisfaction that they get from a company's products and services. They contend that those who have a high level of religiosity would have a varied perception of their level of satisfaction depending on how they view the service quality provided by a corporation. However, their research was conducted in the tourist industry, but research on this link is still largely ignored in other service industries, such as Islamic banking. Because of this, we contend that research on these subjects in relation to other service sectors is still worthwhile.

LITERATURE REVIEW

In the banking industry customer loyalty is a crucial component of service management. According to [Zouari and Abdelhedi \(2021\)](#), loyal consumers provide great benefits to any company, including the ability to maintain a steady stream of profits and a decrease in the amount of money spent on marketing and advertising. According to the research conducted by [Ananda et al. \(2022\)](#), there are a few things that come before loyalty. According to [Muharam et al. \(2021\)](#), customer loyalty can be evaluated using a number of different factors, such as the desire to make additional purchases, commitment toward banks etc. The word "religiosity" is used to characterize the manners in which people communicate their religious beliefs and participate in religious activities. As is already common knowledge, a person's level of religiosity is one of the traits that has the biggest influence on the behavior of humans. According to research conducted by [Fianto et al. \(2021\)](#), a person's degree of religiosity may be broken down into two distinct categories. These aspects include the religious beliefs that they have as well as the religious rituals that they do. People's religious beliefs are connected to what they believe about all actions based on their religious point of view, whereas people's religious practices are related to the manner in which they carry out each activity in line with their religious principles.

In other words, people's religious practices are related to the way in which they carry out each activity in line with their religious principles. "Their trust that Allah (God) would aid them" is an example of a religious belief that may be found in context of Islam. Customer satisfaction is a crucial component of running successful service business. [Abror et al. \(2022\)](#) defines "customer satisfaction" as "degree to which customer perceived performance is similar to customer expectation." When a client's perceived performance meets or exceeds their expectations, customer might be considered happy with the Islamic financial institutions. In addition, [Susanti et al. \(2021\)](#) say that the level of satisfaction gained from fulfilment of a customer's consumption requests is directly proportionate to the level of satisfaction experienced by that customer. An example of religious activities is "their unwavering commitment to saying their prayers each and every day." So, we contend that customer satisfaction at an Islamic bank can be conceptualized as degree to which clients' expectations for the fulfilment of their desires for pleasurable consumption are satisfied in relation to the standards that clients set for the level of services they receive. Customer satisfaction is affected by a variety of variables, such as quality of the services offered and the degree to which the company adheres to a particular religious tradition.

A large number of earlier research have shown that level of satisfaction experienced by customers is significantly impacted by the quality of service that they get. According to the findings of [Mulia et al. \(2021\)](#), one possible definition of service quality is the value that is considered to be received by the client from the service that is being provided. In addition, [Vera and Trujillo \(2013\)](#) found that customer satisfaction is directly proportional to the quality of service provided. As a consequence of this, we maintain that there is a correlation between the quality of the service that is rendered and degree of customer satisfaction. Previous research has made some attempts to explain connection between high service quality and high levels of customer engagement. An example of religious activities is "their unwavering commitment to saying prayers each and every day." They contend that those who have a high level of religiosity would have a varied perception of their level of the

satisfaction depending on how they view service quality provided by corporation. An emotional connection with a product or platform, which results in more contact with that medium or brand, is what we mean when we talk about customer engagement (Manyanga et al., 2022). Convenience of service has been shown to have a considerable impact on level of customer involvement, according to Roy et al. (2018b).

RESEARCH METHODOLOGY

This study's population includes all Pakistani customers of Islamic banks. Data was collected from cities across Pakistan with Islamic banks. The sample size for this study is 400 respondents. This study questionnaire comprises 38 items. According to Wilson et al. (2010), there should be between five and twenty times more samples than objects. Sample size should surpass 200 since SEM was used as method of data analysis in this study. This study included a variety of data gathering methods. We used back-translation to construct and translate surveys into Urdu. Researcher collected the data by using Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5). Second, scholars ran a pilot study with 30 participants to check the clarity, wording, relevance, bias, and structure of the questionnaire's questions. Thirdly, researcher administered 400 questionnaires to customers of Islamic financial institutions in Lahore after the pilot test. This research applied two criteria for purposive sampling technique. This research used covariance-based structural equation modelling using PLS-SEM software.

RESULTS OF STUDY

According to findings of current results, the construct reliability of all the items of variables is more than 0.70. The values of (Rho A) and C-a in table 1 are also higher than the 0.70 limit. All of the AVEs were between 0.51 and 0.78, which shows that constructs are reliable and that measurement models are converging. The discriminant validity of the measurement model was then calculated, as shown in Table 1.

Table 1 Discriminant Validity of Measurement

	Cronbach's Alpha	rho A	CR	AVE
Customer Engagement	0.81	0.82	0.87	0.57
Customer Loyalty	0.78	0.78	0.84	0.53
Customer Satisfaction	0.74	0.76	0.82	0.59
Religiosity	0.71	0.71	0.87	0.78
Service Quality	0.73	0.73	0.80	0.51

The results of HTMT, which serve as a measurement of discriminant validity, are shown in Table 2. According to data, the values are in a range from 0.31 to 0.66, which suggests that the discriminant validity is present (Farooq et al., 2018).

Table 2 Discriminant Validity_HTMT

	CE	CL	CS	RLG	SQ
Customer Engagement [CE]					
Customer Loyalty [CL]	0.56				
Customer Satisfaction [CS]	0.4	0.51			

Religiosity [RLG]	0.41	0.49	0.66	
Service Quality [SQ]	0.35	0.43	0.31	0.31

Structural Model

The predicted structural relationships between variables were tested by the researchers through structural equational modeling. The results of our study indicate that customer engagement has an effect on customer loyalty (Beta=0.35, T= 6.66, and P=.000), which provides evidence in favour of the first hypothesis (H1). Our research demonstrates that there is a relationship between high levels of customer satisfaction and a high level of customer loyalty (Beta = 0.377, T = 3.08, and P =.000). Service Quality had a substantial influence on Customer Loyalty ($\beta= 0.12, 3.63, P=.000$). So H3 is supported. Furthermore, the findings support the fourth hypothesis, which claimed that Religiosity had a considerable effect on Customer Loyalty. Further, researcher evaluated religiosity predicted moderating effects on customer loyalty and results revealed that there is a significant moderated relationship between the observed variables. Table 3 and Figure 1 exhibit the structural mediating models' conclusions. Lastly, the results indicated that religiosity has moderating effect between all observed variables.

Figure 1 Structural Equational Model Results

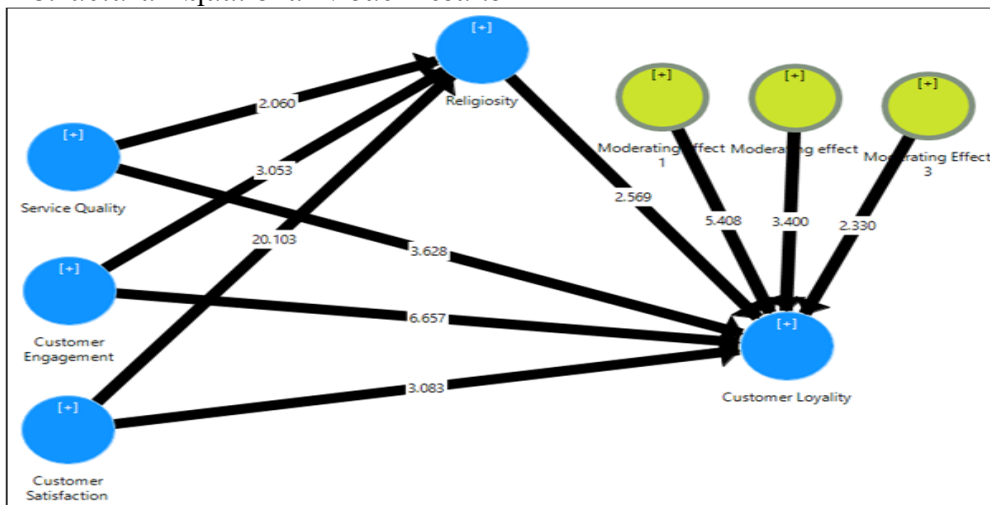


Table 3 Structural Equation Model

	OS	TS (O/STDEV)	P Values
Direct Effect			
Customer Engagement -> Customer Loyalty	0.35	6.66	0.00
Customer Satisfaction -> Customer Loyalty	0.12	3.08	0.00
Service Quality -> Customer Loyalty	0.12	3.63	0.00
Religiosity -> Customer Loyalty	0.1	2.57	0.01
Indirect Effect			
Customer Engagement -> Religiosity	0.1	3.05	0.00
Customer Satisfaction -> Religiosity	0.6	20.1	0.00

Service Quality -> Religiosity	0.06	2.06	0.04
Moderating Effect			
Moderating Effect 1 -> Customer Loyalty	0.16	5.41	0.00
Moderating effect 2 -> Customer Loyalty	0.15	3.4	0.00
Moderating Effect 3 -> Customer Loyalty	0.06	2.33	0.02

DISCUSSION AND CONCLUSION

The findings of this research provide relevance to the findings of other studies that have looked at the relationship between service quality, religiosity, customer satisfaction, customer engagement, and customer loyalty. The findings of this study were found to be as follows: As a consequence of this study, there have been advancements made in both theoretical and practical sides of the subject matter. First theoretical contribution made by this research is recognition of religion's moderating effect on the relationship between service quality and customer satisfaction. No prior research has looked at the possibility of such a correlation. To the best of our knowledge, this is the first research to examine moderating effect of religiosity on relationship between service quality and customer satisfaction in Islamic banks, particularly in Pakistan. Additionally, this research has studied these components, using religion as moderating variable, while earlier studies have only partly addressed the link between service quality, service engagement, and customer loyalty. However, the previous research has only partially addressed the connection between service quality, service engagement, and customer loyalty.

In addition to that, the outcomes of this study have also provided management recommendations to consider. To begin, there is a chance that the management of Islamic financial institutions may find this study to be beneficial in the process of building a customer loyalty program. They will be concerned with methods to boost the customer satisfaction and customer engagement by providing higher-quality service to their customers. This will be a primary focus for them. Due to this, when managers of Islamic banks provide better training for their employees in terms of service quality and maintain their physical facilities, it would have a beneficial influence on customer satisfaction and customer engagement, both of which are the antecedents of customer loyalty. Second, Islamic banking serves a particularly particular kind of customer since it is directly related to religion. Because of this, the management of an Islamic bank are required to develop a product for the bank that is compliant with the religious rules. This is due to the fact that the client's religious beliefs will regulate the link that exists between the quality of the service and the level of satisfaction that the customer experiences.

Limitations & Future Direction

The conclusions of this research have shed light on a number of important contributions; yet, study also includes number of problematic aspects. To begin, this kind of research is referred to as a cross-sectional study. Because of this, we believe that it would be beneficial to do it as a longitudinal study in context of future research. This is due to the fact that this sort of study allows us to validate the causal mechanism and produce results that are more applicable to wider population. Second, this is a study that was carried out in only one country all by itself. We strongly suggest that it be

expanded to include more countries, like those that are members of ASEAN or that have population that is mostly Muslim.

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