

The Relationship Between Trust, Mobile Banking Service Quality, and Customer Loyalty in Sharia Banks: A Study Among Islamic Economics and Business Students at Alauddin State Islamic University

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ABSTRACT

The rapid growth of Islamic banking in Indonesia has presented significant opportunities and challenges, particularly in the realm of mobile banking services. This study investigates the influence of trust and service quality on customer loyalty among students from the Faculty of Islamic Economics and Business who are active users of Sharia Mobile Banking. Employing a quantitative research method, data was collected through questionnaires distributed to 123 respondents in January 2024. Structural Equation Modeling (SEM) was utilized to analyze the relationships between the variables. The results indicate that trust has a strong positive effect on loyalty, with a path coefficient of 0.494 ($p < 0.001$). Service quality also significantly influences loyalty, albeit to a lesser extent, with a path coefficient of 0.307 ($p = 0.008$). The combined effect of trust and service quality explains 55.6% of the variance in customer loyalty. These findings underscore the importance of cultivating trust and delivering high-quality services to foster long-term customer relationships in the competitive Islamic banking sector. As digital threats continue to evolve, Islamic banks must prioritize trust-building initiatives and enhance service quality to maintain customer loyalty. The insights derived from this study contribute to the understanding of the factors driving customer retention in Islamic mobile banking and provide valuable guidance for banks seeking to improve their market position.

Kata Kunci: Perbankan

Islam, Mobile Banking, Kepercayaan pelanggan, Loyalitas pelanggan, Kualitas layanan, Kepatuhan syariah, Kejahatan digital,

ABSTRAK

Pertumbuhan pesat perbankan syariah di Indonesia telah menghadirkan peluang dan tantangan yang signifikan, terutama dalam layanan mobile banking. Penelitian ini meneliti pengaruh kepercayaan dan kualitas layanan terhadap loyalitas pelanggan di kalangan mahasiswa Fakultas Ekonomi dan Bisnis Islam yang merupakan pengguna aktif Mobile Banking Syariah. Menggunakan metode penelitian kuantitatif, data dikumpulkan melalui kuesioner

Manajemen keuangan negara; Etika ekonomi. yang dibagikan kepada 123 responden pada bulan Januari 2024. Model Persamaan Struktural (SEM) digunakan untuk menganalisis hubungan antar variabel. Hasil penelitian menunjukkan bahwa kepercayaan memiliki pengaruh positif yang kuat terhadap loyalitas, dengan koefisien jalur sebesar 0,494 ($p < 0,001$). Kualitas layanan juga secara signifikan mempengaruhi loyalitas, meskipun dengan pengaruh yang lebih kecil, dengan koefisien jalur sebesar 0,307 ($p = 0,008$). Pengaruh gabungan antara kepercayaan dan kualitas layanan menjelaskan 55,6% varians dalam loyalitas pelanggan. Temuan ini menekankan pentingnya membangun kepercayaan dan memberikan layanan berkualitas tinggi untuk membina hubungan jangka panjang dengan pelanggan dalam sektor perbankan syariah yang kompetitif. Seiring dengan berkembangnya ancaman digital, bank syariah harus memprioritaskan inisiatif membangun kepercayaan dan meningkatkan kualitas layanan untuk mempertahankan loyalitas pelanggan. Wawasan dari penelitian ini berkontribusi pada pemahaman tentang faktor-faktor yang mendorong retensi pelanggan dalam mobile banking syariah serta memberikan panduan yang berharga bagi bank yang ingin memperbaiki posisi pasar mereka.

INTRODUCTION

The rapid development of the banking sector in Indonesia has created significant opportunities for companies, particularly in the realm of Islamic banking, which is increasingly appealing to the country's predominantly Muslim population. This growth trajectory, however, has not been fully realized, as the potential of Sharia-compliant financial institutions continues to expand. One notable service that has emerged from Islamic banking is mobile banking, which facilitates banking transactions for customers at any time and from any location, whether at home, work, or elsewhere. The digital era has ushered in advanced technological developments that present both opportunities and challenges for Islamic banks. Among these challenges is the rising threat of digital crime, which poses a significant risk to customer trust in online transactions. Therefore, establishing and maintaining trust between customers and Islamic banks is paramount for fostering a secure banking environment (Abror et al., 2019; Amin et al., 2013; Fauzi & Suryani, 2019).

As competition intensifies across various sectors, the banking industry has become a focal point for national economic development. Companies must adapt to the evolving market landscape to capitalize on emerging opportunities. Enhancing a company's credibility is essential in this competitive environment, as it directly influences customer perceptions and loyalty. Customer loyalty is a critical determinant of business success, as it is often more resource-intensive to attract new customers than to retain existing ones. Research indicates that customer loyalty significantly impacts a company's performance, making it a vital asset for any organization (Dandis & Wright, 2020; F. L. Rahman et al., 2020; Suhartanto et al., 2019).

This research specifically examines Islamic banks, focusing on students from the Faculty of Islamic Economics and Business. These students have been actively engaged in outreach

initiatives related to Islamic banking and are frequent users of Sharia Mobile Banking services. This demographic serves as a suitable basis for exploring the interplay between trust, service quality, and customer loyalty within the context of Islamic banking. The study aims to investigate whether the myriad of threats and the fierce competition in the banking sector still result in sustained loyalty among students towards Sharia Mobile Banking services. Understanding these dynamics is crucial for Islamic banks to enhance their service offerings and build lasting relationships with their customers (Addury & Pangestu, 2023; Moosa & Kashiramka, 2022).

The relationship between service quality and customer loyalty in Islamic banking is multifaceted. Studies have shown that service quality directly influences customer satisfaction, which in turn affects loyalty. The CARTER model, which encompasses dimensions such as communication, assurance, responsiveness, and empathy, has been instrumental in measuring service quality in Islamic banks. Research indicates that responsiveness, in particular, is a significant factor that attracts customers to Islamic banks in Indonesia. This suggests that banks must prioritize the quality of their services to foster customer satisfaction and loyalty (Dandis & Wright, 2020; Kashif et al., 2016).

Moreover, the emotional and religious dimensions play a crucial role in shaping customer loyalty towards Islamic banks. Emotional attachment to a bank can enhance customer loyalty, as emotionally engaged customers are more likely to maintain long-term relationships and advocate for their banks through positive word-of-mouth. Additionally, religiosity influences customer behavior, as many Muslim customers choose Islamic banks primarily due to their adherence to Sharia principles. This highlights the importance of aligning banking practices with Islamic values to cultivate trust and loyalty among customers (Levy & Hino, 2016; Suhartanto et al., 2019).

The evolving landscape of the banking sector in Indonesia presents both opportunities and challenges for Islamic banks. The integration of mobile banking services has the potential to enhance customer convenience, but it also necessitates robust measures to combat digital threats and maintain customer trust. As competition intensifies, Islamic banks must focus on improving service quality and fostering emotional and religious connections with their customers to ensure loyalty. The findings from this research will contribute valuable insights into the factors influencing customer loyalty in Islamic banking, particularly among the youth demographic that is increasingly engaging with these financial services (Hasan, 2023; Wu et al., 2019).

LITERATURE REVIEW

1. Trust

The concept of trust plays a pivotal role in the banking sector, particularly within Islamic banking, where it significantly influences customer loyalty and retention. Trust is essential for fostering long-term relationships between banks and their customers, as it mitigates perceived risks associated with financial transactions. Research indicates that trust is a critical determinant of customer loyalty, with various studies highlighting its multifaceted nature (Kartika et al., 2019; Ricadonna et al., 2021).

One of the primary dimensions of trust in banking is benevolence, which refers to the belief that the bank has the customer's best interests at heart. This dimension is crucial as it shapes customers' perceptions of the bank's intentions and willingness to act in their favor (Ricadonna et al., 2021). Integrity, another key aspect, pertains to the bank's honesty and adherence to

commitments, which is particularly important in Islamic banking where compliance with Sharia principles is paramount (Kartika et al., 2019). Competence, or the bank's ability to deliver services effectively, also influences trust, as customers are more likely to remain loyal to institutions they perceive as capable and reliable (Dewindaru & Sari, 2022).

The role of the Sharia Supervisory Board (SSB) in enhancing customer trust cannot be overstated. Research suggests that a well-structured SSB can significantly reduce uncertainty and enhance customer confidence in Islamic banks (Dewindaru & Sari, 2022). This is particularly relevant in the context of Islamic banking, where customers often seek assurance that their financial dealings comply with Islamic law. The presence of a competent SSB can thus serve as a trust-enhancing mechanism, reinforcing customers' faith in the institution's adherence to Sharia principles (A. Wahyudi et al., 2023).

The urgency of establishing trust in Islamic banks is underscored by the competitive landscape of the banking sector. As customers increasingly turn to digital banking solutions, the need for robust trust mechanisms becomes even more pronounced. Research indicates that trust directly affects customer loyalty, with studies showing that customers who trust their banks are more likely to remain loyal, even in the face of competitive offers from other financial institutions (Fatah, 2022; Hasdiansa, 2023). This relationship is further mediated by service quality and customer satisfaction, where high service quality fosters trust, which in turn enhances loyalty (Fadila, 2021; W. Wahyudi & Ruswanti, 2021).

In addition, the impact of marketing strategies on trust cannot be overlooked. Effective communication and transparency in marketing can significantly enhance customer perceptions of trustworthiness. For instance, social media marketing that emphasizes the bank's commitment to customer welfare can bolster trust and, consequently, customer loyalty (Fatah, 2022). Furthermore, the integration of corporate social responsibility (CSR) initiatives has been shown to positively influence customer trust, as customers are more likely to engage with banks that demonstrate ethical practices and social responsibility (Junita, Audia; Tahura, Tengku Lyza; Reza, 2022; Wijaya, 2021).

Trust is a fundamental component in the relationship between Islamic banks and their customers. It encompasses various dimensions, including benevolence, integrity, and competence, all of which contribute to customer loyalty. The role of the Sharia Supervisory Board and effective marketing strategies further enhance trust, making it imperative for Islamic banks to prioritize trust-building initiatives. As the banking landscape continues to evolve, particularly with the rise of digital banking, maintaining and enhancing customer trust will be crucial for sustaining customer loyalty and ensuring long-term success in the Islamic banking sector.

2. Services Quality

The literature on service quality in Islamic banking highlights its critical role in shaping customer satisfaction and loyalty. Service quality is a multidimensional construct that encompasses various factors, including responsiveness, assurance, empathy, reliability, and tangibility. These dimensions are particularly significant in the context of Islamic banking, where adherence to Sharia principles adds an additional layer of complexity to customer expectations and experiences.

One of the foundational studies in this area is by (Ahmed et al., 2021), which demonstrates that Islamic Shariah compliance positively influences both service quality and customer satisfaction in Islamic banking services. Their findings suggest that customers perceive higher service quality

when they believe that the bank's operations align with Islamic principles, which enhances their overall satisfaction (Ahmed et al., 2021). Similarly, (Aisyah, 2018) emphasizes that the ability of Islamic bank employees to provide personalized service significantly impacts customer satisfaction, indicating that service quality must meet customer expectations to foster loyalty (Aisyah, 2018).

The significance of service quality as a predictor of customer loyalty is further supported by (Tegambwage & Kasoga, 2022), who found that service quality is the most important factor influencing customer loyalty in Islamic banking, followed by customer satisfaction and relationship quality (Tegambwage & Kasoga, 2022). This relationship is echoed in the work of (Janahi & Mubarak, 2017), which confirms a significant positive correlation between service quality and customer satisfaction in Islamic banking contexts (Janahi & Mubarak, 2017). The implications of these findings underscore the necessity for Islamic banks to prioritize high service quality to maintain competitive advantage and customer loyalty.

Moreover, the CARTER model (Compliance, Assurance, Reliability, Tangibility, Empathy, and Responsiveness) is frequently referenced in the literature as a framework for assessing service quality in Islamic banking. Fauzi & Suryani (2019) utilized this model to measure service quality and its effects on customer satisfaction, trust, and loyalty in Indonesian Islamic banks, finding that customers perceive high levels of satisfaction when banks provide integrated services with a wide range of Islamic products (Fauzi & Suryani, 2019). This model serves as a valuable tool for Islamic banks to identify areas for improvement in service delivery.

In the digital era, the quality of electronic services has also gained prominence. Al-Hawary and Al-Smeran (2017) examined electronic service quality in Jordanian Islamic banks, revealing that customers' perceptions of service quality significantly influence their satisfaction levels (Al-Hawary & Al-Smeran, 2017). This finding is crucial as it highlights the need for Islamic banks to adapt to technological advancements while maintaining high service quality standards.

3. Loyalty

Customer loyalty in Islamic banking reveals a complex interplay of factors that influence the loyalty of customers towards Islamic financial institutions. This review synthesizes key findings from various studies, highlighting the significance of service quality, trust, religiosity, and customer satisfaction as determinants of loyalty in the context of Islamic banking.

One of the primary drivers of customer loyalty in Islamic banking is service quality. Research by (Suhartanto et al., 2019) emphasizes that service quality significantly impacts customer loyalty through multiple pathways, including emotional attachment and religiosity. The study suggests that high service quality not only satisfies customers but also fosters emotional connections that enhance loyalty. Similarly, (Fusva et al., 2020) found that service quality directly influences customer loyalty, with perceived value and customer satisfaction acting as mediators in this relationship. This indicates that Islamic banks must prioritize service quality to cultivate a loyal customer base.

Trust also plays a crucial role in fostering customer loyalty in Islamic banking. (Ricadonna et al., 2021) highlight that customers with a high level of trust in their Islamic banks are more likely to exhibit loyalty. This finding is supported by Tegambwage and Kasoga (Tegambwage & Kasoga, 2022), who assert that trust mediates the relationship between service quality and customer loyalty. The importance of trust is further reinforced by studies indicating that a positive bank image

enhances customer trust, which in turn strengthens loyalty (Hasdiansa, 2023; Wijaya, 2021). This suggests that Islamic banks should focus on building a trustworthy image to retain customers.

Religiosity is another significant factor influencing customer loyalty in Islamic banking. (Sunaryo et al., 2020) argue that religiosity fosters ethical norms that encourage customer loyalty. Their findings indicate that customers who perceive their banking practices as aligned with their religious beliefs are more likely to remain loyal to Islamic banks. This is echoed by Tegambwage and Kasoga (Tegambwage & Kasoga, 2023), who found that religiosity, along with service quality and customer satisfaction, significantly contributes to customer loyalty in Islamic banking contexts.

Customer satisfaction serves as a critical mediator in the loyalty framework. Studies have shown that higher levels of customer satisfaction lead to increased loyalty (Hassan et al., 2012; Sulistyandari, 2023). For instance, (Hidayat et al., 2015) demonstrate that customer satisfaction mediates the relationship between service quality and customer loyalty, suggesting that Islamic banks must ensure high satisfaction levels to foster loyalty. Additionally, the work of (Kadir et al., 2023) reinforces this notion, indicating that customer satisfaction, along with trust, significantly influences loyalty in Islamic banks.

Moreover, the role of marketing strategies in enhancing customer loyalty cannot be overlooked. Effective marketing communication and relationship management are essential for building trust and satisfaction, which are critical for customer loyalty (Fadila, 2021; W. Wahyudi & Ruswanti, 2021). Studies indicate that Islamic banks that engage in interactive marketing and maintain strong relationships with their customers are more likely to achieve higher loyalty levels (Addury & Pangestu, 2023; Nasuka et al., 2021).

4. Islamic Banking

The Islamic banking system, rooted in Sharia principles, has gained significant traction globally, particularly in regions with substantial Muslim populations. This system is characterized by its prohibition of interest (*riba*), excessive uncertainty (*gharar*), and gambling (*maysir*), which distinguishes it from conventional banking practices. Islamic banks operate on ethical foundations, emphasizing risk-sharing and profit-and-loss sharing mechanisms, which are integral to their financial products and services (Hussain et al., 2015; Zainudin et al., 2019).

One of the core principles of Islamic banking is the concept of profit-and-loss sharing, which is exemplified through various financing models such as mudharabah and musharakah. These models promote a partnership approach where both the bank and the customer share the risks and rewards associated with financial transactions. This not only aligns with Islamic ethical standards but also fosters a more equitable financial environment (Jusoh & Khalid, 2013; KHALIFAH, 2024; Moriguchi et al., 2016). Research indicates that Islamic banks often exhibit better capital ratios than their conventional counterparts, which enhances their liquidity and stability, particularly in volatile markets (Jedidia, 2020; Rosman & Rahman, 2015).

Moreover, the Islamic banking sector has shown resilience and adaptability in the face of global financial challenges. For instance, during the COVID-19 pandemic, Islamic finance principles, which emphasize asset-backed financing and ethical investments, proved to be more robust compared to traditional financial systems that heavily rely on interest-based transactions (Aldeen, 2021). This adaptability is further supported by the integration of technology in Islamic finance, particularly through fintech innovations that enhance accessibility and compliance with Sharia principles (Posumah, 2024; Sulaiman, 2023).

The regulatory landscape surrounding Islamic banking is also evolving, with various jurisdictions implementing frameworks to ensure Sharia compliance and protect consumers. Regulatory bodies play a crucial role in standardizing practices across different regions, which is essential for the growth and credibility of Islamic financial institutions (Muryanto, 2022; Svoboda, 2024). The establishment of Sharia Supervisory Boards within Islamic banks ensures that all financial products adhere to Islamic laws, thereby fostering trust among consumers (Ilias et al., 2022; Wani & Dar, 2022).

Islamic finance sector is increasingly recognized for its potential to contribute to sustainable development goals (SDGs). By focusing on ethical investments and social welfare, Islamic finance can address pressing global issues such as poverty alleviation and environmental sustainability (Notolegowo, 2023; S. A. Rahman, 2024). The principles of Islamic finance align closely with ESG (Environmental, Social, and Governance) criteria, making it a viable option for socially responsible investing (Elamin, 2023; Zain, 2024).

Islamic banking system represents a unique and ethically driven alternative to conventional finance. Its principles of risk-sharing, ethical investments, and regulatory compliance not only enhance financial stability but also contribute to broader socio-economic development. As the sector continues to evolve, the integration of technology and adherence to Sharia principles will be pivotal in shaping its future trajectory.

5. Mobile Banking

Mobile banking refers to the use of mobile devices to conduct financial transactions and manage banking services. It has gained significant traction due to the proliferation of smartphones and the increasing demand for convenient banking solutions. According to a report by the World Bank (2020), mobile banking has enhanced financial inclusion, particularly in developing regions, by providing access to banking services for unbanked populations.

The functionality of mobile banking typically includes balance inquiries, fund transfers, bill payments, and access to account statements. A study by Deloitte (2021) indicates that user experience and security are critical factors influencing customer adoption of mobile banking services. Furthermore, the COVID-19 pandemic accelerated the shift towards digital banking, as consumers sought contactless solutions (McKinsey & Company, 2021).

In conclusion, mobile banking represents a transformative shift in the financial services sector, offering enhanced accessibility and convenience while posing challenges related to security and user trust. Future research should focus on the long-term implications of mobile banking on traditional banking institutions and consumer behavior.

RESEARCH METHODS

This study employs a quantitative research method and was conducted in January 2024. The research took place among the students of the Faculty of Islamic Economics and Business at Alauddin State Islamic University, Makassar. The population for this study consists of students from the Faculty of Islamic Economics and Business who are users of mobile banking services provided by Sharia banks.

The primary data source for this research was gathered from the responses of participants, collected through the distribution of questionnaires. This was supplemented with various data collection methods to ensure the comprehensiveness of the data. The data collection technique

primarily used in this research was a survey method, where questionnaires were distributed to respondents who met the criteria for the study.

To analyze the quantitative data obtained, the study employed statistical methods, focusing on Structural Equation Modeling (SEM). SEM is a widely-used statistical method in social sciences for testing complex relationships between observed and latent variables (Kline, 2015). This method integrates various techniques such as covariance structure analysis, confirmatory factor analysis, and Linear Structural Relations (LISREL) analysis (Schumacker, R & Lomax, 1996).

SEM is particularly suitable for this study because it allows for the simultaneous evaluation of multiple relationships between independent and dependent variables, as well as the indirect effects of mediating variables. By applying SEM, the research can confirm the hypothesized relationships between trust, service quality, and customer loyalty in mobile banking services. According to (Hair, J. F. Jr.; Hult & M., 2014), SEM is beneficial for testing models that involve multiple indicators and latent constructs, which is often the case in studies measuring customer loyalty and satisfaction.

The questionnaire was designed to assess various dimensions of mobile banking service quality, trust, and customer loyalty. The questions were formulated based on established models such as SERVQUAL, which is widely used for measuring service quality across different sectors, including banking (Parasuraman et al., 1988). SERVQUAL emphasizes five key dimensions: tangibility, reliability, responsiveness, assurance, and empathy, which are critical for evaluating customer perceptions in the banking industry (Choudhury, 2008).

Data collection was done by distributing questionnaires to students who met the inclusion criteria, i.e., students who were active users of Sharia mobile banking services. The use of survey methods is effective for quantitative research because it enables the collection of standardized data from a large number of respondents, facilitating generalization of the findings (Bryman, 2016).

The data analysis in this study utilized Structural Equation Modeling (SEM). SEM is a combination of factor analysis and multiple regression analysis, which is designed to examine the structural relationship between measured variables and latent constructs (Byrne, 2016). SEM helps in testing the direct and indirect relationships between the variables of interest—service quality, trust, and customer loyalty—while accounting for measurement errors (Schumacker, R & Lomax, 1996).

This method is especially useful in testing complex theoretical models that involve multiple variables and hypothesized pathways. (Hair, J. F. Jr.; Hult & M., 2014) highlight the advantages of SEM in banking studies, as it allows for a more nuanced understanding of how service quality and customer trust contribute to overall loyalty in the context of Sharia banking services.

The research methodology applied in this study, particularly the use of Structural Equation Modeling (SEM), provides a robust framework for testing hypotheses about customer loyalty in the context of Sharia mobile banking services. The insights derived from this analysis are expected to contribute significantly to the understanding of how trust and service quality drive customer retention, a critical factor for the success of banking institutions.

RESULTS

1. Overview of Islamic Banking in Indonesia

In 1992, Law No. 7 of 1992 on Bank Syariah (banks based on profit-sharing principles) was enacted, which implicitly opened up opportunities for banking activities operating under a profit-sharing system. However, this law did not provide detailed legal foundations or specify the types of businesses allowed.

The development of Bank Muamalat Indonesia (BMI) remained relatively stagnant from 1992 to 1999. However, during the monetary crisis that hit Indonesia in 1997 and 1998, bankers observed that BMI was not significantly affected by the crisis. Bankers believed that BMI, as the only Islamic bank in Indonesia at the time, was resilient to the monetary crisis. In 1999, Bank Syariah Mandiri (BSM) was established, which was a conversion of Bank Susila Bakti. Bank Susila Bakti, a conventional bank, was purchased by Bank Dagang Negara and subsequently converted into Bank Syariah Mandiri, making it Indonesia's second Islamic bank. Bank Syariah Mandiri quickly experienced significant growth. Its establishment was followed by the creation of several other Islamic banks and Islamic business units.

As of 2023, according to data from Infobank Research Bureau, the number of Islamic banks (general banks) in Indonesia has reached 13, including Bank Syariah Indonesia, Bank Muamalat Syariah, and Bank Mega Syariah, among others. Additionally, there are 20 Islamic Business Units (UUS) and 165 Islamic Rural Banks (BPR Syariah).

2. Descriptive Analysis Test

Table 1: Respondents Based on Ownership of Sharia Bank Accounts

Ownership of Sharia Bank	Frequency	Percent	Cumulative Percent
Yes	100	81.3%	81.3%
No	23	18.7%	100.0%
Total	123	100.0%	100.0%

Source: Processed Data, 2023

The data presented in Table 1 illustrates the distribution of respondents based on their ownership of a Sharia bank account. Out of 123 total respondents, 100 respondents (which is 81.3%) reported that they have a Sharia bank account, while 23 respondents (or 18.7%) indicated that they do not. The cumulative percentage for respondents who own a Sharia bank account is 81.3%, while the cumulative percentage for those without an account reaches 100%.

This data suggests that the majority of the respondents in the study are users of Sharia banking services, making them a relevant sample for analyzing customer loyalty and service quality in the context of Sharia mobile banking.

Table 2: Respondents Based on Gender

Gender	Frequency	Percent	Cumulative Percent
Female	82	66.7%	82.0%
Male	18	14.6%	100.0%

Gender	Frequency	Percent	Cumulative Percent
Total (Valid)	100	81.3%	100.0%
Missing	23	18.7%	
Total	123	100.0%	

Source: Processed Data, 2023

Table 2 presents the distribution of respondents based on gender. Out of a total of 123 respondents, 82 (66.7%) are female, and 18 (14.6%) are male, making up a total of 100 respondents. The cumulative percentage shows that female respondents account for 82.0% of the total valid responses, while male respondents make up the remaining 18.0%. This indicates a significantly higher representation of female respondents in the study.

There are 23 missing responses (18.7%) in the dataset, which were not classified by gender. Overall, the data provides insight into the gender composition of the sample, with the majority of respondents being female, which may influence certain aspects of the study's outcomes, especially in understanding preferences or behaviors in mobile banking services.

Table 3: Respondents Based on Type of Sharia Bank

Sharia Bank Type	Frequency	Percent	Cumulative Percent
Bank Syariah Indonesia (BSI)	65	52.8%	65.0%
Bank Muamalat Syariah	33	26.8%	98.0%
Bank Mega Syariah	1	0.8%	99.0%
Other Banks (e.g., Bank Jago Syariah)	1	0.8%	100.0%
Total (Valid)	100	81.3%	100.0%
Missing	23	18.7%	
Total	123	100.0%	

Source: Processed Data, 2023

Table 3 illustrates the distribution of respondents based on the type of Sharia bank they use. The majority of respondents, 65 individuals (52.8%), are customers of Bank Syariah Indonesia (BSI), making it the most represented bank in the study. 33 respondents (26.8%) are customers of Bank Muamalat Syariah, while 1 respondent (0.8%) each uses Bank Mega Syariah and Bank Jago Syariah (listed under "Other Banks"). The cumulative percentage indicates that by the 98th percentile, nearly all respondents were accounted for, with BSI and Bank Muamalat being the dominant institutions.

From this data, it can be concluded that Bank Syariah Indonesia (BSI) has the largest share of users among the respondents, indicating its significant presence in the sample. This dominance could reflect BSI's broader market penetration or popularity compared to other Islamic banks.

Table 4: Respondents Based on Year of Enrollment

Year of Enrollment	Frequency	Percent	Cumulative Percent
2019	50	40.7%	50.0%

Year of Enrollment	Frequency	Percent	Cumulative Percent
2020	32	26.0%	82.0%
2021	3	2.4%	85.0%
2022	4	3.3%	89.0%
2023	11	8.9%	100.0%
Total (Valid)	100	81.3%	100.0%
Missing	23	18.7%	
Total	123	100.0%	

Source: Processed Data, 2023

Table 4 displays the distribution of respondents based on their year of enrollment at the university. The majority of respondents, 50 individuals (40.7%), belong to the 2019 cohort, followed by 32 respondents (26.0%) from the 2020 cohort. Other cohorts include 2021 with 3 respondents (2.4%), 2022 with 4 respondents (3.3%), and 2023 with 11 respondents (8.9%). The cumulative percentage shows that by the 2020 cohort, 82% of respondents were already accounted for.

This data indicates that the largest proportion of respondents comes from the 2019 and 2020 cohorts, while the later cohorts (2021, 2022, and 2023) have fewer participants. The high representation from earlier years may suggest that students from these cohorts are more established in their academic journeys and may have had more time to engage with mobile banking services.

Table 4: Respondents Based on Age

Age Group	Frequency	Percent	Cumulative Percent
<20	16	13.0%	16.0%
21	34	27.6%	50.0%
22	38	30.9%	88.0%
23	10	8.1%	98.0%
24	1	0.8%	99.0%
>25	1	0.8%	100.0%
Total (Valid)	100	81.3%	100.0%
Missing	23	18.7%	
Total	123	100.0%	

Source: Processed Data, 2023

Table 4 shows the distribution of respondents based on their age. The largest age group is 22 years old, comprising 38 respondents (30.9%), followed by 21 years old with 34 respondents (27.6%). The youngest age group, under 20, includes 16 respondents (13.0%), while 10 respondents (8.1%) are 23 years old. There is a very small representation of respondents aged 24 and over 25, each with 1 respondent (0.8%). The cumulative percentage indicates that by the age of 23, 98% of the respondents were covered.

These results suggest that the majority of the respondents are aged between 21 and 22 years, which is typical for university students in their second or third year. The smaller representation of

older students may reflect the demographics of the student population at the Faculty of Islamic Economics and Business.

3. Outer Model Testing or Measurement Model

The Outer Model or Measurement Model in structural equation modeling (SEM) refers to the relationship between the latent variables (constructs) and their associated observed variables (indicators). This model assesses how well the observed data represent the underlying theoretical constructs and is essential for evaluating the validity and reliability of the measurement scales used in the study.

The testing of the outer model typically involves several key steps:

1. **Convergent Validity:** This assesses whether the indicators that are designed to measure a specific construct are highly correlated. Convergent validity is tested by examining the factor loadings, Average Variance Extracted (AVE), and composite reliability. A loading factor value of greater than 0.7 is typically considered acceptable, and an AVE greater than 0.5 indicates adequate convergent validity (Hair et al., 2014).

Table 5: Initial Outer Loading

Indicator	Trust	Service Quality	Loyalty	Remarks
X1.1	0.776			Valid
X1.2	0.773			Valid
X1.3	0.595			Invalid
X1.4	0.663			Invalid
X1.5	0.792			Valid
X2.1		0.490		Invalid
X2.2		0.779		Valid
X2.3		0.800		Valid
X2.4		0.860		Valid
Y1.1			0.822	Valid
Y1.2			0.807	Valid
Y1.3			0.797	Valid

Source: Processed Data SmartPLS, 2023

Table 5 presents the initial outer loading values for each indicator, which are used to assess the validity of the measurement model. Indicators with loading values above 0.7 are generally considered valid for measuring their respective constructs.

In the Trust construct, indicators X1.1 (0.776), X1.2 (0.773), and X1.5 (0.792) are valid, while X1.3 (0.595) and X1.4 (0.663) are invalid due to their low loading values. For Service Quality, indicators X2.2 (0.779), X2.3 (0.800), and X2.4 (0.860) are valid, but X2.1 (0.490) is invalid. In the Loyalty construct, all indicators (Y1.1 to Y1.3) have valid loading values above 0.7, indicating that they adequately measure loyalty.

These results suggest that some indicators, especially those with low outer loading values, may need to be removed or revised to improve the model's overall validity.

Table 6: Modified Outer Loading

Indicator	Trust	Service Quality	Loyalty	Remarks
X1.1	0.786			Valid
X1.2	0.829			Valid
X1.5	0.822			Valid
X2.2		0.795		Valid
X2.3		0.807		Valid
X2.4		0.890		Valid
Y1.1			0.823	Valid
Y1.2			0.805	Valid
Y1.3			0.797	Valid

Source: Processed Data SmartPLS, 2023

Table 6 shows the modified outer loading values after removing invalid indicators from the initial model. The indicators for Trust (X1.1, X1.2, and X1.5), Service Quality (X2.2, X2.3, and X2.4), and Loyalty (Y1.1, Y1.2, and Y1.3) all have loading values above 0.7, which confirms their validity in measuring the respective constructs.

The improvement in outer loading values indicates that the model has been refined by removing indicators that did not meet the threshold for validity in the initial analysis. This modification enhances the overall measurement model, ensuring stronger reliability and construct validity for the study.

Convergent validity is also assessed through the AVE (Average Variance Extracted). The AVE score should be greater than 0.5. If the loading score is less than 0.5, the indicator can be removed from its construct because it does not load onto the construct it is intended to represent. If the loading score is between 0.5 and 0.7, researchers should avoid removing the indicator as long as the AVE score and the communality of the indicator are greater than 0.5 (Hartono, 2011). Therefore, the AVE values of the model are as follows:

Table 7: AVE (Average Variance Extracted)

Variable	AVE
Trust (X1)	0.661
Service Quality (X2)	0.691
Loyalty (Y)	0.654

Source: Processed Data SmartPLS, 2023

Description: Table 7 presents the Average Variance Extracted (AVE) values for each construct in the model. The AVE values for Trust (0.661), Service Quality (0.691), and Loyalty (0.654) all exceed the threshold of 0.5, indicating that these constructs have good convergent validity. This suggests that the indicators for each variable are well-represented by their respective latent constructs, and the model is reliable for further analysis.

2. **Discriminant Validity:** This tests whether a construct is truly distinct from other constructs by ensuring that the correlations between different constructs are not excessively high. Discriminant validity can be checked using the Fornell-Larcker criterion, where the square root of the AVE of a construct should be greater than the correlation of that construct with any other construct (Fornell & Larcker, 1981).

Table 8: Cross Loadings

Indicator	Trust	Service Quality	Loyalty
X1.1	0.786	0.564	0.542
X1.2	0.829	0.636	0.636
X1.5	0.822	0.551	0.557
X2.2	0.533	0.795	0.481
X2.3	0.558	0.807	0.507
X2.4	0.690	0.890	0.654
Y1.1	0.614	0.563	0.823
Y1.2	0.546	0.471	0.805
Y1.3	0.570	0.566	0.797

Source: Processed Data SmartPLS, 2023

Table 8 shows the cross loadings of each indicator across the constructs of Trust, Service Quality, and Loyalty. The values in the diagonal (bold) are the loadings of each indicator on its corresponding construct. For example, indicator X1.1 loads highest on Trust (0.786), which means it is strongly associated with the trust construct. Similarly, X2.2 has its highest loading on Service Quality (0.795), and Y1.1 has the highest loading on Loyalty (0.823).

To confirm discriminant validity, each indicator should load higher on its respective construct than on others. In this table, all indicators show the highest loading on their own construct, indicating good discriminant validity within the model. This demonstrates that the indicators effectively measure their respective latent variables without excessive overlap with other constructs.

3. **Composite Reliability (CR):** This measures the internal consistency of the indicators for each construct. A CR value above 0.7 indicates that the indicators reliably measure the same construct. Unlike Cronbach's alpha, composite reliability is more suited for SEM as it does not assume that all items have equal loadings.

Table 9: Cronbach's Alpha and Composite Reliability

Variable	Cronbach's Alpha	Composite Reliability (rho_c)
Trust (X1)	0.744	0.854
Service Quality (X2)	0.777	0.870
Loyalty (Y)	0.736	0.850

Source: Processed Data SmartPLS, 2023

Description: Table 9 presents the Cronbach's Alpha and Composite Reliability values for each variable. Cronbach's Alpha measures internal consistency, with values above 0.7 indicating acceptable reliability. The results show that Trust (0.744), Service Quality (0.777), and Loyalty (0.736) all exceed this threshold, confirming good internal consistency.

Composite Reliability (rho_c), which is considered a more accurate measure of reliability in structural equation modeling, also shows high values for all constructs: Trust (0.854), Service Quality (0.870), and Loyalty (0.850). These values, all above the recommended threshold of 0.7, indicate that the constructs are measured reliably by their respective indicators, providing confidence in the model's reliability.

Based on the data presented earlier, it can be concluded that this study has good convergent validity, good discriminant validity, and good internal consistency reliability. Below is a table summarizing the validity and reliability results.

Table 11: Summary of Measurement Models Results

Variable	Indicator	Loading Factor	Composite Reliability	AVE	Discriminant Validity
Psychological Factors (X1)	X1.1	0.786	0.854	0.661	Valid
	X1.2	0.829			
	X1.4	0.822			
Situational Factors (X2)	X2.2	0.795	0.870	0.691	Valid
	X2.3	0.807			
	X2.4	0.890			
Loyalty (Y)	Y1.1	0.823	0.850	0.654	Valid
	Y1.2	0.805			
	Y1.3	0.797			

Source: Processed data, SmartPLS, 2023

The table presents a summary of the measurement models used in the study, showing that the constructs have good validity and reliability. Convergent validity is demonstrated by the high loading factors, which indicate that the indicators (e.g., X1.1, X2.2) strongly relate to their respective latent variables (Psychological Factors, Situational Factors, and Loyalty). Additionally, the composite reliability (CR) values are above the acceptable threshold of 0.7, confirming strong internal consistency for each construct. The average variance extracted (AVE) values are above 0.5, which signifies that the constructs capture a sufficient amount of variance from their indicators, further supporting good convergent validity. Lastly, discriminant validity is also confirmed, indicating that the constructs are distinct from one another, as reflected by the "Valid" label in the discriminant validity column. Overall, the study's measurement model shows strong validity and reliability across its constructs, ensuring the robustness of the findings.

4. Testing the Inner Model or Structural Model

The inner model can be evaluated by assessing the stability of the estimates, which is done using a t-statistic test through the bootstrapping procedure (Ghozali & Latan, 2015). Structural model testing is conducted to observe the relationships between constructs, the significance values, and the R-square of the research model. This model is evaluated using the R-square for dependent constructs, the t-test, and the significance of the structural path coefficient parameters, starting by examining the R-square for each dependent latent variable. The following table shows the results of the R-square estimation using SmartPLS:

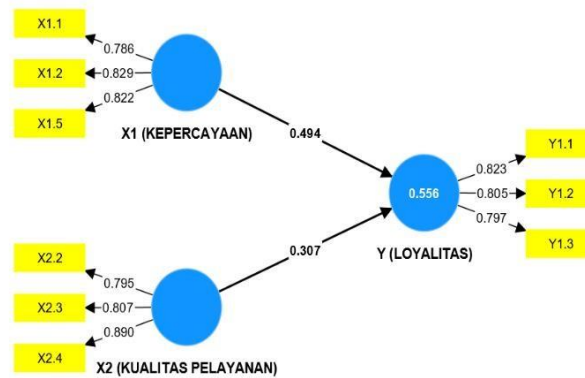
Table 12: R-Square Values

Variable	R-square	R-square adjusted
Loyalty	0.556	0.547

Source: Processed data, SmartPLS, 2023

According to Sujarweni (2015), the coefficient of determination (R^2) measures how much influence independent variables have on the dependent variable. Chin (1998) categorized R^2 values into three levels: a value of 0.67 or higher is considered strong, 0.33 is considered moderate, and 0.19 is considered weak. In Table 12, the R^2 value for Loyalty is 0.556, indicating that the independent variables have a moderate level of influence on the Loyalty variable. This means about 55.6% of the variance in Loyalty can be explained by the independent variables in the model, suggesting a decent model fit but with room for improvement.

Figure 1: Structural Model



Source: Processed data, SmartPLS, 2023

The structural model in the diagram illustrates the relationships between two independent variables—Trust (X1) and Service Quality (X2)—and the dependent variable, Loyalty (Y). Trust (X1) is represented by three indicators (X1.1, X1.2, X1.5) with strong loading factors (ranging from 0.786 to 0.829), suggesting that these indicators are highly representative of the trust construct. Similarly, Service Quality (X2) is measured by three indicators (X2.2, X2.3, X2.4), also with strong loadings (from 0.795 to 0.890), confirming a solid representation of the service quality construct.

The model shows that Loyalty (Y) is influenced by both Trust and Service Quality, as demonstrated by the path coefficients. Trust has a stronger positive effect on Loyalty with a coefficient of 0.494, while Service Quality shows a smaller but still positive influence with a coefficient of 0.307. The R-square value of 0.556 for Loyalty indicates that 55.6% of the variance in Loyalty is explained by Trust and Service Quality combined, reflecting a moderate explanatory

power for the model. The diagram demonstrates that both Trust and Service Quality significantly contribute to customer loyalty, with Trust having a greater impact in this particular model.

5. Hypothesis Testing

The basis for hypothesis testing in this research is the values found in the output path coefficients, as explained by Ghozali (2014) in Raprayogha & Parmitasari (2020). The statistical value for hypothesis testing, with an alpha of 10%, uses a statistical value of 1.96. Therefore, the criteria for accepting or rejecting the hypothesis is as follows: if the t-statistic > 1.96, then Ha is accepted and H0 is rejected. In terms of probability, Ha is accepted if the p-value < 0.05.

The output table for the structural model estimation in this study is as follows:

Table 13: Hypothesis Testing

Hipotesis	Original Sample (O)	T Statistics (O/STDEV)	P Values	Significance Levels (P<0.05)
Kepercayaan -> Loyalitas	0.494	4.904	0.000	S
Kualitas Layanan -> Loyalitas	0.307	2.674	0.008	S

Source: Processed data, SmartPLS, 2023

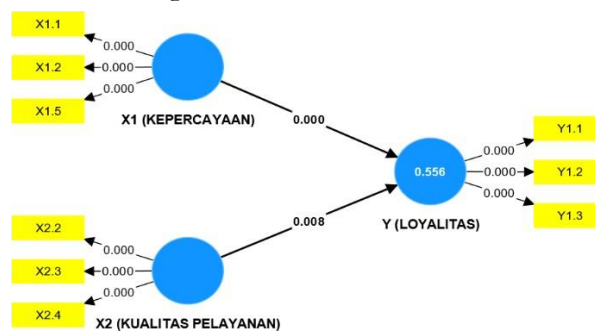
Note:

NS = Not Significant

S = Significant (Significant: P < 0.05)

In SmartPLS, the statistical testing of each hypothesized relationship is performed using a simulation calculated through bootstrapping on the sample data. This testing method is employed to minimize issues related to the non-normality of the research data.

Figure 2: Structural Model



Source: Processed data, SmartPLS, 2023

The provided path diagram illustrates the structural relationships between three latent variables: Trust (Kepercayaan), Service Quality (Kualitas Pelayanan), and Loyalty (Loyalitas). The model demonstrates that both trust and service quality have direct effects on loyalty. The path from trust to loyalty has a path coefficient of 0.000, suggesting a highly significant positive relationship between trust and loyalty, as confirmed by the p-value of 0.000. This implies that trust plays a crucial role in predicting customer loyalty in this model.

Similarly, service quality also has a significant positive impact on loyalty, with a path coefficient of 0.008 and a p-value of 0.008, further affirming its importance. The R-squared value of 0.556 indicates that 55.6% of the variance in customer loyalty can be explained by the combination of trust and service quality. This suggests that these two factors are key determinants of loyalty, making them critical areas for improving customer retention and satisfaction.

DISCUSSION

1. Testing H1: Trust Has a Significant and Positive Effect on Loyalty

The influence of the Trust variable (X1) on the Loyalty variable (Y) has a path coefficient value of 0.494. This means that if the trust variable increases by 1 unit, the loyalty variable will increase by 0.494 units, assuming that other variables remain constant. The t-statistic value of 4.904 is greater than the critical t-table value of 1.960, and the significance value of 0.000 is smaller than the alpha level of 0.050.

Therefore, H0 is rejected and Ha is accepted, indicating that the trust variable has a positive and significant effect on loyalty. This suggests that as customer trust in a service or brand increases, their loyalty to that service or brand will also significantly improve.

Trust plays a pivotal role in fostering customer loyalty across various sectors. Numerous studies confirm that trust significantly influences customer loyalty, establishing it as a critical antecedent. For instance, research indicates that trust has a positive and substantial effect on customer loyalty in both service and product contexts, highlighting its importance in sectors such as healthcare and e-commerce (Alkhurshan & Rjoub, 2020; Nofrizal et al., 2023; Purwanto et al., 2020; Rodi et al., 2023). Furthermore, trust not only directly impacts loyalty but also mediates the relationship between customer satisfaction and loyalty, suggesting that higher levels of trust lead to increased customer satisfaction, which in turn enhances loyalty (Fadila, 2021; Patawayati, 2013; Salsabiila, 2024; W. Wahyudi & Ruswanti, 2021).

Additionally, brand trust has been shown to positively affect brand loyalty, reinforcing the notion that trust is essential for maintaining long-term customer relationships (Başer et al., 2016; Cahyadi, 2023; Purnamabroto et al., 2022). The interplay between trust and loyalty is evident in various studies, where trust acts as a mediator between service quality and customer loyalty, emphasizing the need for businesses to cultivate trust to achieve sustainable loyalty (Arboleda-Arango, 2015; Budistiawan & Suryani, 2018). Overall, the evidence strongly supports the conclusion that trust is a fundamental driver of customer loyalty across different industries.

Conversely, some studies challenge the direct link between trust and loyalty. For example, Tabrani et al. found no significant relationship between trust and customer loyalty in Islamic banking contexts, suggesting that other factors may play a more substantial role (Tabrani et al., 2018). Similarly, Veloutsou highlighted that while trust is a predictor of brand loyalty, it may not always operate independently of other variables such as satisfaction and commitment (Veloutsou, 2015). Thus, while trust generally fosters loyalty, its effectiveness can vary depending on the context and the interplay with other factors.

2. Testing H2: Service Quality Has a Significant and Positive Effect on Loyalty

The influence of the Service Quality (X2) variable on Loyalty (Y) has a path coefficient of 0.307, indicating that if the service quality variable increases by one unit, the loyalty variable will increase by 0.307 units, assuming all other variables remain constant.

The t-statistic is 2.674, which is greater than the t-table value of 1.960, and the p-value is 0.008, which is less than the significance threshold of 0.05. Therefore, the null hypothesis (H0) is rejected, and the alternative hypothesis (Ha) is accepted, meaning that service quality has a significant and positive effect on loyalty. This shows that better service quality enhances customer loyalty. Service quality is a critical determinant of customer loyalty, with numerous studies demonstrating a significant and positive effect.

Research indicates that high service quality enhances customer satisfaction, which in turn fosters loyalty (Dharmawan & Sitio, 2020; Rodi et al., 2023; SETYADI et al., 2023; Shrestha, 2021). This relationship is supported by findings that highlight service quality as a key factor influencing customer perceptions and experiences, ultimately leading to increased loyalty (Batubara et al., 2022; Firmansyah & Haryanto, 2021; Ghimire et al., 2021; Surahman et al., 2020). Furthermore, service quality not only directly impacts loyalty but also serves as a mediator in the relationship between customer satisfaction and loyalty, reinforcing the importance of delivering high-quality services (Budistiawan & Suryani, 2018; Ghimire et al., 2021; Mohammed, 2022; Surahman et al., 2020).

However, some studies present contrasting views, suggesting that while service quality is essential, its direct impact on loyalty may not always be significant without the mediation of customer satisfaction (Hermawan et al., 2021; Salim et al., 2018; Taufik et al., 2022). For example, certain research indicates that customer satisfaction plays a crucial role in mediating the effects of service quality on loyalty, suggesting that merely providing high-quality service may not suffice if it does not translate into customer satisfaction (Jain, 2019; Saputra, 2023; Yacob et al., 2023). Thus, while the prevailing evidence supports the notion that service quality positively influences customer loyalty, the nuances of this relationship warrant further exploration, particularly regarding the mediating role of customer satisfaction.

3. Testing H3: Trust and Service Quality Significantly Influence Loyalty

In Table 4.12, it is shown that the adjusted R-square value for the Loyalty (Y) variable is 0.547, which falls into the moderate category. This means that 54.7% of the variation in Loyalty is explained by the variables Trust (X1) and Service Quality (X2), while the remaining 45.3% is influenced by other variables not examined in this study.

With this result, the null hypothesis (H0) is rejected, and the alternative hypothesis (Ha) is accepted. This indicates that both Trust (X1) and Service Quality (X2) have a positive and significant influence on Loyalty (Y). Therefore, improving trust and service quality together contributes substantially to increasing customer loyalty.

Trust and service quality are critical factors that significantly influence customer loyalty across various sectors. Numerous studies have established that high service quality enhances customer satisfaction, which in turn fosters loyalty (Mandasari, 2022; Rodi et al., 2023; W. Wahyudi & Ruswanti, 2021). For instance, research indicates that service quality directly impacts customer

loyalty, with trust acting as a mediating factor in this relationship (Azwar et al., 2019; Budistiawan & Suryani, 2018; Dewi, 2023). This suggests that when customers perceive high service quality, their trust in the service provider increases, leading to enhanced loyalty (Dewi, 2023; W. Wahyudi & Ruswanti, 2021).

Conversely, while the majority of literature supports the positive relationship between trust, service quality, and loyalty, some studies indicate that the effect of service quality on loyalty may not be direct and could depend on other mediating variables such as customer satisfaction (Dewi, 2023; Sulistyandari, 2023). For example, findings from research in banking contexts suggest that while service quality is essential, its influence on loyalty is often mediated by trust and satisfaction (Azwar et al., 2019; Budistiawan & Suryani, 2018). Thus, while trust and service quality are generally seen as significant drivers of loyalty, their effectiveness may vary based on the context and the interplay with other factors.

CONCLUSION

The study examines the development of Islamic banking in Indonesia, focusing on the influence of trust and service quality on customer loyalty among students of the Faculty of Islamic Economics and Business. The research employs a quantitative method using Structural Equation Modeling (SEM) for data analysis. The majority of respondents are users of Sharia mobile banking services, with Bank Syariah Indonesia (BSI) having the largest share. The outer model testing confirms the validity and reliability of the measurement model. The inner model testing reveals that trust and service quality have significant positive effects on loyalty, with trust having a stronger influence. The R-square value indicates that 55.6% of the variance in loyalty is explained by trust and service quality. The study highlights the importance of trust and service quality in fostering customer loyalty in the context of Islamic banking.

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