

Questioning Shariah bank loyalty: Do the roles of service quality and perceived fairness vary for the Bugis-Makassar ethnic?

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ABSTRACT

Bugis-Makassar ethnic group is known for its loyalty. There is a famous proverb, *polo pang polo panni*, which means the readiness of individuals to sacrifice anything to obey and be loyal to the commitments made even if they have to break their thighs and wings. Unfortunately, limited studies are exploring the antecedents of loyalty by using cultural and gender differences perspectives. This is surprising because if gender and ethnic background are genuinely exclusive, they would need a different selling, marketing, and loyalty strategy. This study aimed to fill the gap by empirically exploring the dimensions of service quality and perceived fairness on loyalty in the Sharia Bank of Indonesia. Through a questionnaire survey, 576 Bugis-Makassar were studied for this work. The questionnaire was employed based on the previous studies to establish the content validity of the study. Regression analysis is conducted to test the hypothesis. Our study shows that while service quality was found to be a significant predictor of loyalty in the Shariah bank, perceived fairness failed to affect loyalty. Despite their strong belief in Bugis-Makassar culture and philosophy, they tend to be more realistic when making buying decisions.

JEL Code:
D12, L15, M31, O12

DOI:
10.31106/jema.v19i2.18963

Article History:
Received 2022-05-05
Reviewed 2022-05-27
Revised 2022-07-15
Accepted 2022-08-22

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Keywords: Customer Loyalty; Service Quality; Perceived Fairness; Ethnic Group; Shariah

Introduction

The advent of modern technological advancements has empowered customers to make retailer choices with greater transparency and at lower switching costs (Grewal et al., 2017; Närvänen et al., 2020), thereby rendering customer loyalty a complex phenomenon (YouGov, 2018). Recognized as the cornerstone of effective customer relationship management (Nastasoiu & Vandenbosch, 2019; Uncles et al., 2003), customer loyalty holds pivotal importance in ensuring firm survival, as it exhibits a substantial association with profitability. Existing literature consistently highlights the positive correlation between customer loyalty and firm profitability (Bressolles et al., 2015; Kaura et al., 2015; Huang & Cheng, 2016; Makanyeza & Chikazhe, 2017).

The increasing demand for Shariah banking services has accelerated the development of the Shariah banking system, positioning it as an integral component within the conventional banking framework. Distinguished by its adherence to Shariah principles, Shariah banking attracts devoted customers who value its unique product offerings. This customer loyalty is primarily fostered through the delivery of high-quality services. Consequently, service quality stands out as a pivotal indicator, shaping customer satisfaction and, in turn, influencing customer loyalty and pricing strategies. Exceptional service not only elevates customer satisfaction and loyalty but also fosters a propensity for repeat business, thereby ensuring the sustained success and continuity of service providers (Fardiani, 2013).

Islamic banking adheres to Shariah, which strictly prohibits not only usury (riba) and excessive interest charges but also engagement in unethical activities like speculation and gambling (Lajuni et al., 2017). Unlike conventional banks burdened with paying interest on customer deposits, Islamic banks operate on a profit-sharing model, ensuring they avoid negative spreads. Interestingly, during past economic crises, Islamic banks not only weathered the storm but also experienced positive growth, in stark contrast to their conventional counterparts. In Indonesia, the Islamic banking sector comprises 12 fully-fledged Islamic banks and 22 conventional banks with Islamic banking windows, with the government aiming for Islamic banks to capture at least 15% of the market by 2023. However, many Indonesian customers still harbor doubts about the quality and professionalism of Islamic banking services, emphasizing the ongoing need for superior product offerings and service quality (Hidayat et al., 2015). For customers, service quality represents the standard of service provided, its performance, and its alignment with their needs, desires, and expectations, necessitating continuous service enhancements (Hammoud

& Bittar, 2016). Customer satisfaction and loyalty are likely to flourish when products and services align with customer expectations (Amin, 2011).

In the context of its development, this research aims to assess compliance not only in terms of customers' confidence that Islamic banks refrain from engaging in interest-based transactions but also their confidence in the banks' commitment to conducting financial transactions linked to real economic activities rather than the financial sector, in accordance with Islamic principles. Additionally, it seeks to gauge whether these banks abstain from participating in transactions that may exploit any party or engage in activities perceived as harmful to society. Reuters (2018) reported that in the 2017 Global Islamic Banks' Performance Report across 69 countries, 82% of Islamic banks reported profits. These banks heavily rely on customer loyalty for profitability, attracting both Muslim and non-Muslim customers due to their expansion efforts. Non-Muslim customers, in particular, often maintain relationships with conventional banks that offer Islamic banking products. Regardless of whether customers are Muslim or non-Muslim, securing and nurturing customer loyalty remains a top priority for banks, albeit with different dimensions (Kartika et al., 2019).

The South Sulawesi region boasts a rich cultural diversity, with various tribes, such as the Bugis, Makassar, and Toraja, each contributing unique traditions and customs. The Makassar people, in particular, adhere to a distinct way of life deeply rooted in their original culture, known as "siri," which serves as a guiding philosophy within their social system. This way of life is profoundly influenced by Islamic law, the predominant religion in the region. The Makassar people view "siri" as a repository of positive values, embodying a condition for personal growth and social harmony (Azis, 2015).

Similarly, the Bugis Makassar residents of South Sulawesi have inherited a set of cultural values encapsulated in the concept of "siri." Within this cultural framework, "siri" represents a core value, cherished and upheld by the community. It permeates and enriches the daily lives of the residents, symbolizing a fundamental principle that, much like currency, possesses two distinct facets. "Siri" serves as a reminder of the value that must be seen as a whole, with its two sides akin to a coin—each side carrying significance, ensuring its enduring worth in the community's collective consciousness (Muhdina, 2015).

Given the profound influence of culture on the people of South Sulawesi, there arises an inherent curiosity to explore and conduct research grounded in the geographical context. This research aims to delve into the intricate interplay between cultural dynamics, customer

loyalty, perceived fairness, and service quality, seeking to unravel the multifaceted relationship that binds these elements within the unique cultural tapestry of South Sulawesi.

Literature Review

The intensification of global competition has compelled organizations to maintain a competitive edge through superior service quality (Makanyeza & Chikazhe, 2017). Feiz (2019) underscores the pivotal role of employee behavior as a critical determinant of service quality, encompassing attributes like helpfulness, friendliness, and the cultivation of a personalized and responsible rapport with customers. Peng et al. (2019) shed light on the heightened perception of quality among Islamic bank customers, attributed to the inherent Shariah compliance ingrained in these institutions. Islamic banks not only offer Shariah-compliant service quality but also provide secure banking products and services, as highlighted by Tabrani et al. (2018). Furthermore, Ltifi et al. (2016) elucidate that customers assess a bank's service quality based on tangible attributes, including service availability, the speed of financing approval, and the efficiency of financial transactions. Complementarily, Iqbal et al. (2018) expound on how the competence of Islamic bankers in providing solutions enhances customer satisfaction and contributes to an elevated perception of the value embodied in Islamic principles.

The primary marketing objective of a firm resides in cultivating customer loyalty, which is reflected through both attitudes and purchasing behavior (Watson et al., 2015). Attitude loyalty encompasses customers' attitudes towards a firm when compared to other providers offering similar services, while behavioral loyalty, often characterized by repeat purchases, manifests as tangible buying behavior (Salem et al., 2019). Wu and Hussein (2019) further elucidate customer loyalty, defining it as the inclination and capacity to make purchases even at higher price points. Within the context of Islamic banks, attitudinal loyalty assesses the extent to which customers perceive a bank as their preferred choice for maintaining a sustained relationship.

The dynamics of customer loyalty can be categorized into four distinct phases (Rai & Srivasta, 2012). Firstly, cognitive loyalty manifests when customers perceive a product, service, brand, or organization as superior to alternatives, making it their preferred choice. In this phase, information about the offering significantly influences consumer buying decisions. Secondly, affective loyalty evolves as repeated confirmations of customer expectations engender a particularly favorable attitude towards the product, service, organization, or brand. Thirdly, conative loyalty emerges when high engagement and motives, driven by

strong buying intentions, lead to the development of a robust and intense form of loyalty. Finally, action loyalty represents the culmination of strong motivations that prompt concrete actions aimed at eliminating any potential obstacles hindering the loyalty-driven decision to purchase a specific product, service, brand, or organization. Therefore, the proposed hypothesis of the study can be seen below.

H₁: Service quality has influences perceived fairness.

H₂: Service quality has influences customers loyalty.

H₃: Perceived fairness has influences customers loyalty.

H₄: Service quality has an indirect effect on the customer loyalty through the mediator perceived fairness.

Methods

Figure 1. Research Model

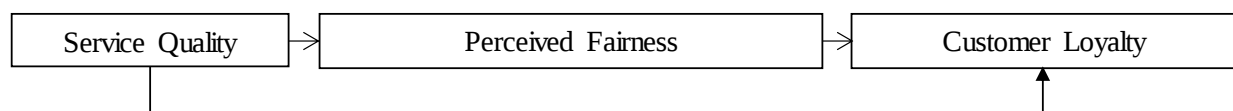


Table 1. Validity Test

Variables	Dimensions	Pearson (r) Treshold	Pearson (r) Tested	Decision
Service Quality	Shariah Compliance	0.082	0.655	Valid
	Readiness	0.082	0.763	Valid
	Empathy	0.082	0.810	Valid
	Reliability	0.082	0.643	Valid
	Responsiveness	0.082	0.739	Valid
	Assurance	0.082	0.628	Valid
Perceived Fairness	Transparency	0.082	0.788	Valid
	Equitable	0.082	0.751	Valid
	Consistency	0.082	0.641	Valid
Loyalty	Repeat Behavior	0.082	0.670	Valid
	Satisfaction	0.082	0.800	Valid
	Referral Behavior	0.082	0.611	Valid

Table 2. Reliability Test

Variables	Cronbach α	Decision
Service Quality	0.848	Reliable
Perceived Fairness	0.899	Reliable
Loyalty	0.839	Reliable

Through a questionnaire survey, we conducted a comprehensive study involving 576 respondents from the Bugis-Makassar community, who were clients of eight branches of Shariah Bank of Indonesia in Makassar. The questionnaire, designed with careful consideration and drawing from prior research, ensured both content validity and question relevance. For hypothesis testing, we employed path analysis techniques using the Preacher-Hayes developed PROCESS macros, as recommended by Hair et al. (2010) for examining mediation effects. This method, which includes bootstrapping, allows us to evaluate the distribution of indirect effect coefficients within simple mediation models, all without making assumptions about variable distribution or statistical distributions, making it suitable even for studies with limited sample sizes. In our analysis, we sought direct effects with PROCESS results indicating a p-value below 0.05, demonstrating statistical significance. Conversely, when assessing indirect effects, confirmation of mediation between variables is established when the bootstrapped lower-level confidence interval (LLCI) and upper-level confidence interval (ULCI) encompass a zero value. This rigorous methodology enhances the robustness and credibility of our research findings.

In the process of validating our research instruments, we employ rigorous testing procedures to ensure the reliability and accuracy of the data collected. Specifically, we utilize a predefined threshold of validation, where the calculated correlation coefficient (r-value) is compared to a critical value (r-table, threshold). If the r-value exceeds the predetermined threshold, the instrument is deemed "valid," signifying that it effectively measures the intended attributes. Conversely, if the calculated correlation falls below this threshold, we consider the instrument "invalid," indicating a need for further refinement or reconsideration. Table 1 shows that all instruments of the study are classified as valid because the calculated correlation coefficients (r-tested) consistently exceed the predetermined threshold. Furthermore, in assessing the reliability of our research instruments, we employed the widely recognized Cronbach's α coefficient as a robust measure of internal consistency. Table 2, clearly demonstrates the favorable outcomes of our reliability analysis. All variables in our

study have achieved Cronbach's α coefficients that surpass the established threshold (0.600), affirming the high internal consistency and reliability of our instruments.

Result and Discussion

Table 3. The Results of Direct and Indirect Effect

Hypothesis	Criteria	p-Value	Decision
H ₁ . Service Quality -> Perceived Fairness	< 0.050	0.000	Accepted
H ₂ . Service Quality -> Loyalty	< 0.050	0.110	Rejected
H ₃ . Perceived Fairness -> Loyalty	< 0.050	0.082	Rejected
Hypothesis	BootLLCI	BootULCI	Decision
H ₃ . Service Quality -> Perceived Fairness -> Loyalty	0.105	0.234	Rejected

Table 3 presents the direct effects of each variable, revealing that only one out of the four hypotheses tested in the study, specifically H₁, garnered acceptance. This acceptance hinges on the outcomes of statistical analysis, with H₁ exhibiting a p-value below the 0.05 threshold, signifying a noteworthy relationship between the variables under scrutiny. Consequently, it can be inferred that service quality exerts a substantial influence on the perceived fairness of Shariah Bank of Indonesia customers in Makassar. In essence, enhanced service quality correlates with an augmented perception of fairness in profit sharing, thereby affirming the acceptability of Hypothesis 1. Service quality serves as a pivotal indicator within the broader spectrum of product quality perceptions in the context of Islamic banking, aligning with the tenets of Islamic law. Earlier research by Abdul Qowi (1999) underscored the significance of comprehending the application of service quality in Islamic banking, given its multifaceted ties to costs, profitability, customer satisfaction, and retention, fostering positive relationships. Building on this foundation, Ti Bei's research in 2001 elucidated that while service quality holds importance, the confluence of product quality and pricing also shapes customer decisions, influencing repurchases and subsequent transactions. This perspective aligns with Folger's (1999) principles of distributive justice, positing that costs, service quantity, and excellence jointly contribute to the attainment of maximum satisfaction levels. The survey instrument employed in this study elucidates that service quality fulfillment is encapsulated in the service assurance value provided by the bank, with higher levels of trust and financial security enhancing the perceived service quality.

Based on the results of descriptive statistical testing, it is evident that Islamic banks must enhance their service quality to uphold customer satisfaction and foster customer loyalty.

This endeavor can be accomplished through specific measures. Customers have expressed concerns regarding extended waiting times, which stem from various factors and have the potential to cause dissatisfaction and, ultimately, customer disloyalty. To address this issue effectively, Islamic banks should consider augmenting the number of tellers and customer service counters. However, it is worth noting that despite counter additions, some customers have noted a shortage of workforce in teller and customer service roles, particularly in sub-branch offices that have transitioned into branch offices. This suggests a management delay in providing the necessary additional workforce.

Furthermore, the study's findings indicate that the impact of fairness in profit sharing on customer loyalty is not statistically significant. Consequently, the hypothesis positing that fairness influences customer loyalty among Shariah Bank customers in Makassar is not supported. This outcome diverges from Naser's study in 2008, which suggested that providing accurate and precise information capable of guiding customers toward using Shariah Bank products and services fosters customer satisfaction. Similarly, Ti Bei (2010) emphasized that alignment between product prices and customer expectations plays a pivotal role in nurturing customer loyalty. Moreover, the notion that equitable profit sharing promotes loyalty among Shariah bank customers, aligning with Islamic principles of justice, is challenged by these results. Trust emerges as a primary driver of loyalty among Shariah bank customers, as highlighted by Gerrald and Cumingham (2007).

Conclusion and Suggestion

In conclusion, the findings from this study reveal that service quality significantly influences the perceived fairness of Shariah Bank of Indonesia customers in Makassar. This suggests that when service quality improves, customers perceive a greater fairness in profit sharing. However, the study also highlights areas where Islamic banks can further enhance their service quality to maintain customer satisfaction and foster loyalty. Specifically, addressing issues related to prolonged waiting times and staffing shortages at customer service counters is imperative to improve time management and mitigate customer dissatisfaction. The failure of perceived fairness to mediate the relationship between service quality and loyalty among Shariah bank customers in our study can be attributed to several potential factors. Firstly, it is possible that the customers in our sample do not perceive a direct connection between service quality and fairness in profit sharing. They might view service quality as a distinct dimension of their banking experience and evaluate it independently from their perceptions of how profits are shared. Secondly, cultural and

contextual factors could play a role. The Bugis-Makassar community in South Sulawesi, Indonesia, where the study was conducted, may have unique cultural values and expectations that influence their perceptions of fairness and loyalty differently compared to other populations. These cultural nuances may not align with the traditional conceptualization of perceived fairness in the banking context.

Despite the significant impact of service quality, the study found that fairness in profit sharing has an insignificant effect on customer loyalty. This finding is in contrast to some previous research that suggested providing accurate information and aligning product prices with customer expectations can enhance loyalty. In the context of Islamic banking, ensuring equitable profit sharing in accordance with Islamic law and principles remains crucial. Moreover, trust continues to play a pivotal role in fostering customer loyalty.

Based on these findings, we recommend that Islamic banks in Makassar should prioritize efforts to enhance service quality, particularly by addressing issues related to waiting times and staffing levels. Additionally, Islamic banks should continue to focus on adhering to Islamic principles of fairness and transparency in profit sharing, as this aligns with customer expectations and trust-building efforts. Further research and continuous monitoring of customer satisfaction and loyalty would be beneficial to refine these recommendations and ensure a sustainable and customer-centric approach in the Islamic banking sector.

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