Advances in Economics, Business and Management Research, volume 177
Proceedings of the International Conference on Business and Engineering Management (ICONBEM 2021)

Analysis of the Supporting Factors of Customer Engagement as a Marketing Strategy for Islamic Banking Services in Indonesia

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ABSTRACT
Competition in the banking market in Indonesia is currently very competitive, this has also resulted in the slow development of Islamic banking. To support the development of Islamic banking in Indonesia, various strategies are needed, one of which is to directly involve customers in marketing Islamic banking products and services through engagement behavior. The purpose of this research is to find out what factors can encourage customer engagement in Islamic banks in Indonesia. This research is based on the engagement theory and literature relationship marketing to propose that the Customer Perceived Value (CPV) and Relationship Quality (RQ) which is represented by Satisfaction, Commitment and Trust is an antecedent of Customer Engagement (CE). In addition, the mediation relationship between CPV and CE through Satisfaction, Commitment and Trust will be tested to better understand the effect of CPV on CE. The findings of this research are expected to contribute in helping to market Islamic banking products and services to accelerate the development of Islamic banking in Indonesia.

Keywords*: Islamic Banking, Customer Perceived Value, Customer Engagement, Satisfaction, Trust and Commitment.*

1. INTRODUCTION

Indonesia is a country that has a dual banking system, namely conventional banks and Islamic banks, the public is given the freedom to choose to use the banking system as desired and guaranteed by the competent institutions, Bank Indonesia (central bank) and the Financial Services Authority (OJK). Since the establishment of Bank Muamalat in November 1991 and its operation in May 1992, the establishment of the first Islamic bank in Indonesia has made great strides to 189 Islamic banks consisting of 14 Islamic Commercial Banks (BUS), 20 units of Islamic Business Units (UUS) and 164 Islamic Rural Banks (BPRS) in 2020 [1].

In the competition between conventional banks and Islamic banks in the banking sector, it is important for the banks to determine the criteria for selecting banking services among their customers. The determinants of customer engagement as documented in various studies around the world have been found to differ from one jurisdiction to another and at different times. Understanding these different perspectives allows Islamic banks to focus on the products and services that are most important to their customers and to increase their satisfaction [2] .

The author conducted this analysis to review the mechanism whereby customer perceived value affects customer engagement through the standard of the relationship quality (satisfaction, commitment and trust), this can be necessary as a result of values and relationships are important in increasing direct and indirect benefits for customers. This research is expected to help the author to hingher recognize the tactics that Islamic banks can use to encourage more engagement with customers.

2. LITERATURE REVIEW

This research comprises several theories such as customer perceived value, satisfaction, commitment, trust and customer engagement.

2.1 Customer Perceived Value

Customer perceived value is defined as "the consumer judgement in the world regarding the value of a product in terms of knowing what it receives and what it produces" [3]. This value is evaluated according to the understanding of each customer. Companies need to offer extra value to customers through presenting them with extra advantages and much less expenses. If the company fails to do so, it can cause the company to lose

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opportunities to gain competitive advantage so that customers look for new alternatives in other companies. Perceived value that customers feel when interacting with Islamic banks is where Islamic banks offer good service in accordance with Islamic rules regarding a financial system that is free from usury, uncertainty and gambling transactions, this is an advantage of Islamic banks compared to conventional banks among Muslims.

In this case, the hope is that customers buy or use more products, provide positive information about islamic bank to other people and offer comments to the organization after they get extra earnings at the transactions made [4]. This is consistent with the large concept that cost affects the behavioral intentions of customers [5].

Th**i**s idea is also evident in the Islami**c** banking service system**.** Customers can renew their purchases, guide others who know they want to try or buy a company's products, and share up-to-date information about the company product if it deserves an offer. Customers need to think about their image and trust the network before making positive suggestions or c**o**mm**e**nts about Islamic banking services. The evidence presented in this section highlight**s** the positive impact of customer perceived value on customer engagement, **s**atisfaction, commitment**,** and trust**.** As a result, we recommend:

H1. CPV has positive influence to CE
H2. CPV has positive influence to Satisfaction
H3. CPV has positive influence to commitment
H4. CPV has positive influence to Trust

2.2 Satisfaction, Commitment and Trust

Satisfaction is the feeling of happiness or sadness that one feels after testing the thought of working or the results of products with expectations [6], [7]. In **s**hort, customer satisfaction is the size of the company's products and services that meet customer [7] and also whether the level of product acceptance is in accordance with customer'**s** expectations.

Commitment i**s** said to have been done when "the exchange partner believed the relationship was essential to ensure maximum effort in maintaining it" [8]. Customers tend to put forth effort and engage in activities that support the company if they have a quality relationship. Customers interact with the company when trust and commitment-based relationship are fulfilled and emotionally connected [9].

Trust or customer trust is the willingness to depend upon a trustworthy exchange partner [10]. In Islamic banking, this is often outlined because the responsibility of every individual in ending his responsibilities. Islam prioritizes belief and reflects that " trustworthiness " is a necessity in personality attributes [11]. Confidence (trust) customer affect customer loyalty well, for Islamic banks as well as non-Islamic bank, hence the lack of customer confidence in Islamic banks led to a lack of loyalty, that was also found, when a customer believes Islamic bank operation strictly adhere to Islamic principles, their intention to switch to a different bank are reduced [12].

Customers who value their relationship with the company can contribute to the company's sales and marketing activities through a variety of collaborative behaviors [13], while satisfaction, commitment and trust as an important mediator to drive customer engagement, if a strong bond between the customer and the company does not exist then customer engagement is not will happen. Therefore, the authors propose that RQ (satisfaction, commitment and trust) mediates the positive influence of customer perceived value on customer engagement.

In this research, the authors argue that apart from customer perceived value, a strong relationship between Islamic banks and customers can drive customer engagement. However, this suggests that part of the positive impacts of customer perceived value on customer engagement is due to the value of relationship quality with customers. For that, we hypothesize as follows:

H5 : Satisfaction has positive influence to CE
H6 :Commitment has positive influence to CE
H7 : Trust has positive influence to CE
H8: Satisfaction, Commitment and Trust mediate the efect of CPV on CE

3. RESEARCH METHODOLOGY

Research methodology consist of research framework, research hypothesis, and data analysis method.

3.1 Population and Sample

The subjects of this study are customers of Islamic banking in Indonesia, the respondent data obtained were 275 respondents, the questionnaire distributed consisted of 39 items, the number of samples must be at least five times the number of questionnaires [14]. In addition, because this study uses SEM as a method of data analysis, the number of samples collected must also be exceed 200 [15].

3.2 Measurement and Data Collection procedure

This study has five variable constructs including Customer Perceived Value, satisfaction, commitment, trust, customer engagement [16], [17].

This study uses several stages in the process of collecting data. First, the authors created a questionnaire and translated it into Indonesian using a reverse procedure translation [18]. The author uses a 5 Likert scale from Strongly Disagree (1) to Strongly Agree (5). Second, the authors conducted a randomized controlled trial of 30 respondents to identify the clarity of items, words, item relevance, word and phrase bias and questionnaire format [19]. Third, after the trial, we distributed 275 question to Islamic bank customers. The criteria for respondents in this survey are customers of Islamic bank.

3.3 Research Framework

Figure 1 shows the research framework for this study.

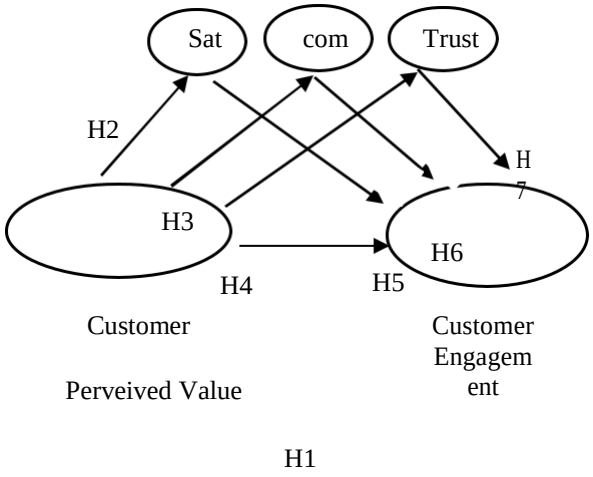

Figure 1. Research Framework
H8 : Mediated Relationship (customer perceived value - satisfaction, commitment, trust – customer engagement)

3.4 Data Analysis

This research uses quantitative method and is processed using Amos 22 software. In using SEM we will meet the goodness-of-fit criteria (GoF). GoF criteria include normed chi-square (CMIN / DF), (CFI), (TLI), (AGFI), (GFI) and (RMSEA) [15]. The cut-off points for these criteria are <5 for CMIN / DF, 0.90 for CFI, TLI and GFI, 0.80 for AGFI and 0.08 for RMSEA [20]. The score of Gof are GFI = 0,781, CFI = 0,924, TLI = 0,925, RMSEA = 0,08 and AGFI 0,735, to be declared fit, a minimum of three Gof indices is sufficient. The author gets 275 usable responses. In addition, the author also tested the validity and reliability. Table 1 shows the constructs of reliability and validation using *Loading Factor Value* > 0,5 [14], AVE, *Cronbach's Alpha* and *Composite reliability.*

4. RESULT

There are 4 hypothesis that are deemed significant, which are H2, H3, H4, and H6, meanwhile H1, H5,H7 and H8 is not significant.

Table 1. Construct validity and reliability

Construct	Item	Mean	Std. Dev	Loading	A	CR	AVE
Trust					0.92	0.93	0.69
	Islamic bank products comply with Islamic Sharia regulations	4.31	0.81	0.77			
	Islamic bank products are in accordance with OJK and Bank Indonesia regulations	4.56	0.62	0.74			
	I feel the contract agreement in a sharia bank is in accordance with sharia	4.38	0.78	0.81			
	Islamic banks distribute zakat from their income	4.5	0.71	0.8			
	The Islamic bank can be trusted	4.54	0.64	0.92			
	The Islamic bank is reliable	4.51	0.69	0.93			
Customer Engagement							
Cust. Purchases	I will continue to use Islamic banking services in the near future	4.55	0.67	0.8	0.73	0.85	0.66
	I get my money's worth more when using Islamic						
	I get my money's worth more when using Islamic banking services	4.19	0.9	0.77			
	I am happy to use Islamic bank services	4.49	0.68	0.87			
Cust. Referral	I promote Islamic banks to others	4.47	0.74	0.91	0.83	0.92	0.75
	I am willing to refer Islamic banks to my friends and relatives	4.47	0.71	0.93			
	The benefits that I get from Islamic banks encourage me to refer Islamic banks to my friends and relatives	4.43	0.76	0.93			
	The incentive in providing references from Islamic banks is very attractive	4.03	0.98	0.65			
Cust. Soc Influence	I like to talk about my experiences with Islamic banks to other people	4.28	0.79	0.88	0.88	0.93	0.76
	I discuss the benefits I get from Islamic banks with other people	4.23	0.86	0.93			
	I mention Islamic banks in my conversations with other people	4.23	0.85	0.88			
	I am actively discussing Islamic banks on various social media platforms	3.91	1.1	0.8			
Cust. Know Sharing	I provide feedback about my experience with Islamic banks	4.21	0.87	0.85	0.92	0.96	0.85
	I provide suggestions for improving the performance of existing / currently used Islamic banking products or services	4.16	0.93	0.93			
	I give advice on new products or services of Islamic banks	4.09	0.97	0.96			
	I provide advice for the development of Islamic banking products or services	4.12	0.94	0.94			

Table 2. Result of The Research Hypothesis 1-7

Hypothes i s	Standardised Regression Weight	CR	P-value	Findings
1	0.62	0.451	0.62	Not Supported
2	0.96	14.87	***	Supported
3	0.843	11.27	***	Supported
4	0.915	16.2	***	Supported
5	0.027	0.453	0.651	Not Supported
6	0.198	3.504	***	Supported
7	0.159	1.573	0.116	Not Supported

In the end, to test the mediating effect of *satisfaction, commitment* and *trust* on the relationship between *customer perceived value* and *customer engagement*.

Table 3 shows the results of these three variables H8, only commitment mediate relationship CPV to CE.

Table 3. Mediation Analysis

Hypothesis 8	Path C	Path A	Path B	Path C' (AxB)	Findings
CPV-Sat-CE	0.62 ns	0.96***	0.027 ns	0	No mediation
CPV-Comm-CE	0.62 ns	0.84***	0.19***	0.16	Full mediation
CPV-Trust-CE	0.62 ns	0.91***	0.16 ns	0	No mediation

5. DISCUSSION

The research conducted by the author aims to analyze the factors what are driving direct engagement of customers with Islamic banks, and then examine the mediating role of Satisfaction, Commitment and Trust to the relationship between CPV and CE.

H1 is rejected, this happens because in previous research conducted on service at restaurants [14] which according to [21] this service activity (restaurant) uses tangible action, "In receiving this type of service, the customer must physically enter the service system " or it is also known as people processing. Meanwhile, this research was conducted on the object of Islamic banks this service activity (banking) uses intangible action, also known as information processing [21]. On the basis of two different perspectives on the service marketing theory, the direct effect of customer perceived value on customer engagement cannot be felt directly by customers, but must go through variable commitment.

H2 is accepted. This finding is consistent with previous studies [22] who conducted research on Islamic banking in Malaysia. Customers will feel satisfied if they feel the quality of service is good. In the context of Islamic banking, the manager or owner of Islamic bank needs to pay attention to the quality of service, such as the bank's ability to help customers make transaction, the bank must provide reliable services (for example, there are only a short queues in the transaction process) and create a comfortable atmosphere.

H3 accepted. The findings of this study indicate that a commitment to continue to be a sharia bank occurs when customers feel a positive value when using Islamic banking services. This finding is consistent with previous studies [23] who conducted research on Islamic banking in Malaysia. If customers feel the high value of Islamic banks, it will further strengthen the customers' commitment to using Islamic bank services.

H4 is accepted. In the CPV variable, the first statement that is asked of the respondent focuses on Islamic law on the value perceived by customers of Islamic banks. These findings indicate that the value of customer trust in banks based on Islamic law strengthens customer confidence to continue to be customer of Islamic banks.

H5 is rejected, these result are not consistent with previous studies [24] which states that satisfaction has a positive influence on customer engagement in Islamic banks. This occurs because the previous research was only conducted on the scope of customers of Islamic banks in West Sumatra, while in this study using the Jabodetabek scope which has different respondent characteristics.

H6 is accepted. From these results, we can see that customer commitment influence engagement with Islamic banks. The result of this study show that customers who have a strong commitment to Islamic banks increased engagement between customers of Islamic banks themselves.

H7 is rejected. Based on this research, trust does not guarantee that customer engagement with Islamic banks will increase. These result are not consistent with previous studies [25] who conducted research on customer perceptions in multichannel retail banking in Spain. This occurs because the previous research was conducted on retail banking in Spain, while this research was conducted on Islamic banking in Indonesia which has difference in characteristics of the respondents.

H8 is rejected. From these result only commitment as mediator, In accordance with the explanation in the hypothesis 1 construct in this study (people processing), only the commitment variable can affect the relationship between CPV and CE. This finding is important, because this research has never been conducted on the object of Islamic banking, this finding provides comprehensive knowledge about the role and relevance of perceived value and quality of relationships, at the same time, its contribution to customer engagement. Thus, the findings now offer new insights into the relationship between perceived value factors and

relationship quality by contributing to customer engagement, and further contributing to the knowledge sector to understand customer engagement.

6. CONCLUSION AND IMPLICATIONS

6.1. Conclusion

Based on the experiment conducted, the results of this study indicates that the relationship quality (satisfaction, commitment and trust) between customers and service providers can be achieved using Customer Perceived Value but the findings also show that only commitment has a positive effect with Customer Engagement whereas perceived value, satisfaction and trust does not have a direct positive effect with Customer Engagement. Apart from the direct effect, the results of this study also show that only Commitment have a mediating effect on Customer Engagement.

6.2. Implication

From the previous discussion, there are several managerial implications that can be translated into strategies for Islamic banks in increasing customer based. Marketers must establish practices that encourage excellent and superior service by making employees understand that superior service results are expected and desired. In addition, when customers receive high scores from their service providers, they feel they have a quality relationship with their service providers. This will make customers more loyal.

Islamic bank marketers must ensure to create a strategy that is focused on commitment which has a positive impact on their interactions with customers and Islamic banks. This requires Islamic bank marketers to implement various strategies to unite or strengthen their customers. Commitment to customers by providing more benefits compared to the amount spent (costs for referencing products). Companies sometimes fail to consider engagement, which can result in customers overvaluing or underestimating [25]. Banks can benefit their customers by encouraging them to work with Islamic banks such as in charity and humanitarian activities that can ultimately create customer engagement with Islamic banks.

7. LIMITATIONS

This research model has several limitations in its testing. The first, this study use the framework of the previous research model where in the previous research it was a research model of customer engagement on restaurant services where restaurant services are people processing while banks are information processing [21], in further research it is recommended to use an information processing perspective in order to get different results from this study. Secondly, this study was conducted during the Covid-19 pandemic where respondents did not focus on filling out the questionnaire, so that further research should be carried out after the Covid-19 pandemic period ends where the results of the study are expected to have different results.

AUTHORS' CONTRIBUTION

Y.Y.A. carried out the experiment. N.S. supervised the process and the findings of this work. All authors provided critical feedback and helped shape the research and analysis.

ACKNOWLEDGMENTS

This research will not be possible without the support of my supervisor, Dr. Nurdin Sobari, MM. His knowledge and attention to detail kept my work on track from the beginning until final draft of this research.

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