

The Effect of Mediation on Consumer Involvement and Intimacy on Trust and Loyalty at Bank Syariah Indonesia

Seprianti Eka Putri^{1,*}

¹ Universitas Bengkulu

*Corresponding author. Email:seprianti.ep@unib.ac.id

ABSTRACT

The study aims to examine the effect of mediation on involvement and intimacy on customer trust and loyalty in Bank Syariah Indonesia. The total sample of the study was 136 respondents with the data were used purposive sampling and the analysis method used was Partial Least Square. The findings reveal that involvement, intimacy, loyalty have a positive effect on trust. The also showed that involvement affects customer loyalty. Customer intimacy does not affect loyalty whereas involvement mediates the relationship between trust and loyalty and customer intimacy mediates the relationship between trust and customer loyalty. This study is of great value for academics and practitioners.

Keywords: customer involvement, trust, loyalty.

1. INTRODUCTION

With the passage of Law N0. 7 of 1992 in Indonesia, syariah banking was born. Several developments have occurred since the revision of Banking Law No. 10 of 1998, which offers greater opportunities for the growth of Islamic banking. According to the law, the Syariah Banking system was created with many goals in mind, including addressing the needs of people who do not have access to traditional banking services. At present, Islamic banking does not only compete with conventional and foreign banks but also with a dual structure - Islamic banking. In terms of selling goods and services, they operate in the same business segment, such as deposits, current accounts, credit cards, home financing, and other products and services.[1];[12];[25]. Increasing competition among banks for the same customer segment encourages Islamic banks to develop and maintain unique marketing strategies, as well as develop and maintain customer relationships, for the company's success and sustainability.

In Indonesia, the prospect of Islamic banking has good prospects and will develop in the future. Islamic banking can be categorized as a new type of industry with quite high attractiveness. This can be seen from the increase in banks, not only in the form of commercial banks and BPRS but also in the form of UUS. Further,

with the development of Syariah banking in Bengkulu Province in the last year, both sharia commercial banks and Islamic BPRs developed positive growth. The volume position of Islamic banking in December 2012 was recorded at Rp.764 billion, an increase of 31.64 percent compared to 2011 which was only Rp.580 billion. Meanwhile, the number of third funds also experienced a growth of 34.82 percent, in 2011 amounting to IDR 458 billion, dominated by savings of IDR 235 billion and time deposits of IDR 189 billion. Meanwhile, debt balance financing grew by 29.04 percent from IDR 503 billion to IDR 649 billion. [30]. Total assets of Islamic banking were recorded at Rp1.43 T which increased by 13.85% in October 2018. The rapid growth of Islamic banking is indicated by many encouragements such as the initiation of the formation of a large Syahria BUMN Bank, integration of zakat, development of a halal lifestyle that has an impact on Islamic banking and microfinance institutions (LKMS) Bank Wakaf.

In terms of customer trust and loyalty, customer intimacy is an important mediator in maintaining long-term relationships.[4];[5];[6];[21] and research on customer intimacy, which has an impact on customer loyalty [23]. Moreover, to overcome the previous limitations, a conceptual framework was developed, by examining the development of several relevant

concepts. This measurement of the trust variable adapts the results of research, such as: [1] and [25], the involvement variable modifies the research [20]. The measurement of the customer intimacy variable was adapted from the study [5]; [6]. Then, the measurement of customer loyalty is modified from research [1]. Customer loyalty is adjusted from research by [1]. This study wants to explain the effect of trust on customer loyalty which is mediated by customer involvement and intimacy in Bank Syariah Indonesia in different situations through the adaptation of several previous studies regarding the views of customers of Islamic banks in Bengkulu Indonesia.

2. LITERATURE REVIEW

2.1 Hypothesis and Related Concepts

Consumer behavior, like all human behaviors, is constantly evolving in response to environmental and social pressures. The firm, on the other hand, expects its customers to be continue to buy and vote on a regularly. Loyalty is the willingness of customers to continue to support a company in the long term, buy and use products or services based on exclusive liking and voluntarily recommend the company's products to their relatives [18].

2.2. Trust on Involvement

Previous studies have shown trust influences commitment [3]. Positive standards help to build trust, which affects the degree of customer involvement [28]. Customers with a high degree of engagement will look for formal and informal information as a source of risk reduction, resulting in increased consumer trust.

H₁: Trust affects involvement.

2.3. Trust on Customer Intimacy

Trust is recognized as a key factor in building customer relationships in terms of increased customer familiarity or intimacy [5]. Thus, trust has a positive effect on intimacy with customers [29]. This research was conducted regarding customer trust in internet banking. In the banking industry, trust will positively affect relatively high customer intimacy due to a high personality and good interaction between customers and bank employees, so that trust in intimacy can be developed with customers [6]. The following hypothesis is formulated as a result of this study.

H₂: Trust affects customer intimacy

2.4. Trust on Customer Loyalty

Trust increases a customer's willingness to return to loan transactions in the future and increases the

likelihood of recommending the bank to other customers [12]. A high level of trust can influence customers to become loyal customers and trust will have a direct impact on customer loyalty. Then this research formulates the following hypothesis:

H₃: Trust has an affects on customer loyalty

2.5. Involvement in Customer Loyalty

The effect of involvement on customer loyalty is positive. Previous research also states that engagement will have a positive effect on higher levels of customer loyalty [23]. Hereinafter, other studies suggest that increasing customer engagement also increases customer loyalty, it is important for service providers to build reliable engagement studies have shown trust influences commitment is a factor influencing customer decisions [16]. The fourth hypothesis has been formed based on this reasoning.

H₄: Involvement has to affect customer loyalty.

2.6. Customer Intimacy on Customer Loyalty

Customer who has intimacy with a bank is an important strategy that will be able to assist the bank in maintaining customer loyalty [6] effect of involvement on customer loyalty is positive. This research formulates the following hypothesis.

H₅: Customer intimacy has affected customer loyalty

2.7. Involvement as a mediating variable for the relationship between Trust and Customer loyalty

After previous research, it was revealed that engagement as a mediating variable for the relationship between customer trust and loyalty has been studied by [17], [6] trust is particularly important related to decision making. Hence, the sixth hypothesis is presented.

H₆: Involvement as a mediating variable affects trust and customer loyalty

2.8. Customer Intimacy as a Mediating Variable for the Relationship between Trust and Customer Loyalty

The direct relationship between intimacy and customer loyalty, the literature suggests that customer intimacy assists a mediating role in the relationship between customer trust and loyalty [5]; [22]. Customer intimacy will create positive word of mouth and repurchase intention.

H7: Customer intimacy as a mediation variable affects trust and customer loyalty.

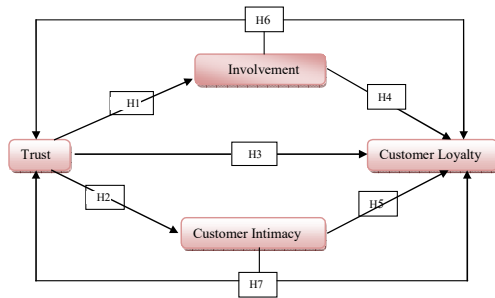


Figure 1. Conceptual Framework

3. RESEARCH METHOD

Non-probability sampling selects elements based on the researcher's judgment rather than chance, whereas probability sampling selects sample units by chance (each element of the population has a fixed probabilistic chance of being chosen for the sample) [9];[19]. Sampling design in which elements in the population have no known or predetermined chance of being selected as sample subjects [25]. The sampling technique is used in the category of non-probability sampling Purposive sampling is the method used in this study with sample criteria such as customers who have savings in Islamic banks and are 17 years old and over. The data collection method used was the distribution of online questionnaires carried out using the online google form on social media such as Whatsapp, and Instagram.

A total of 202 questionnaires were online collected from Indonesia and more respondents were removed from the data set owing to missing responses or obvious response patterns in their questionnaires. The effective sample size obtained was 136. The sample consisted of 53 males (38.9%) and 83 females (61.03%) whose ages varied between 17 and 57 years, who were dominated by the age of 20 - 45years. The one used in this research was the Smart PLS approach with testing research instruments using two methods, namely test validity and reliability test. An outer model is evaluated by calculating the algorithm and obtaining the evaluation parameter value.

4. RESEARCH RESULT

4.1. Hypothesis Testing Results

Non-probability sampling selects elements based on the researcher's judgment rather than chance, whereas The path coefficients between the independent and dependent variables, as indicated by the t-statistical values are used to determine the level of significance in hypothesis testing. Structural models are evaluated

using R^2 for dependent constructs, path coefficient values, or t-values for each path to test the significance between constructs in the structural model. The level of variation in the change in the independent variable on the dependent variable is measured by the R^2 value. The inner model, or path coefficient value, indicates the level of significance in testing the hypothesis. The t-statistic value for the path coefficient or inner model must be greater than 1.96 for the two-tailed hypothesis and greater than 1.64 for the one-tailed in the two-way hypothesis for testing alpha 5% and power 80% [14].

The SmartPLS program was used to perform data analysis such as validity and reliability tests, inner and outer models, and hypothesis testing. The bootstrapping method was used to calculate the results of hypothesis testing. Outer loading > 0.7 , communality > 0.5 , and Average Variance Extracted (AVE) > 0.5 are the rules of thumb for convergent validity [7]. The results showed that AVE Communality has a value of the trust at 0.598, involvement at 0.881, customer intimacy at 0.905, customer loyalty at 0.94, all of which meet the convergent validity rule of thumb. A reliability test was performed to determine the consistency, accuracy, and precision of a measurement technique. The Cronbach's alpha and composite reliability values must both be greater than 0.7, though 0.6 is acceptable. The Cronbach's alpha value and composite reliability are both greater than 0.7, indicating that all variable constructs met the reliability requirements.

Based on the results of the total effect shown in table 1, This study tested the hypothesis by comparing the value of the t-statistic that must be greater than the value of the t table is 1.96 to prove acceptable. The results of testing the first hypothesis indicate that the relationship between trust and involvement being is significant ($15.338 > 1.96$). It means that trust has a positive effect on involvement. The second hypothesis test results show that trust and consumer intimacy ($8.871 > 1.96$). Thus, the effect of trust on consumer intimacy is positive. The third hypothesis results show that trust on customer loyalty ($5.073 > 1.96$); therefore, trust has a positive effect on customer loyalty. The results of testing the fourth hypothesis indicate that involvement affects customer loyalty ($2.123 > 1.96$). Thus, the involvement and customer loyalty were positive effects. Meanwhile, the fifth hypothesis has shown that customer involvement has also an effect on customer loyalty ($1.808 < 1.96$) is rejected. The sixth hypothesis shows that involvement as a mediating variable can mediate the relationship between trust and customer loyalty was positive ($2.133 > 1.96$) and the last hypothesis was accepted, in this case, customer intimacy as a variable that can mediate trust and customer loyalty is rejected ($1.682 < 1.96$). Moreover, the bootstrap method is the data retrieval in the hopes that the sample will accurately represent the population data. The bootstrap method also assumes that the processed data

will be more stable, tends to result in more accurate hypothesis testing results. [14]. The output of bootstrapping in this research can be seen in figure 2

expectations of the company [20]. Trust has a positive impact on customer engagement, which provides positive motivation for the company [10]. Customer trust has a positive impact on interactions, regardless of the level or type [13]. The results of hypothesis testing

Table 1. Total Effect (Mean, STDEV, t-statistic)

	Original Sample	Sample Mean	Standard Deviation	T Statistics
CI→CL	0.027	0.028	0.015	1.808
I→CL	0.294	0.276	0.139	2.123
T→CL	0.678	0.978	0.134	5.073
T→CI	0.542	0.550	0.061	8.871
T→I	0.977	0.696	0.006	15.338

Source: The data was processed (2020)

Table 2. Specific Indirect Effect

Original Sample	Sample Mean	Standard Deviation	T Statistics
T -> I -> CL	0.288	0.135	2.133
T -> CI -> CL	0.015	0.009	1.682

Source: The data was processed (2020)

Table 3. Hypothesis Testing Results

Hypothesis	T Statistics	t-table	Test Result (t-Statistic > t-table)
H1 (T→I)	15.338	1.96	Accepted
H2 (T→CI)	8.871	1.96	Accepted
H3 (T→CL)	5.073	1.96	Accepted
H4 (I→CL)	2.123	1.96	Accepted
H5 (CI→CL)	1.808	1.96	Rejected
H6 (T→I→CL)	2.133	1.96	Accepted
H7(T→CI→CL)	1.682	1.96	Rejected

Source: The data was processed (2020)

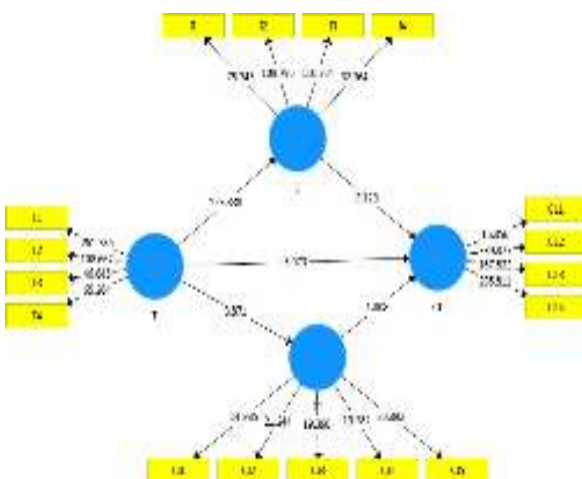


Figure 2. Output Bootstrapping

5. DISCUSSION

This research proves that the effect of trust on customer loyalty is mediated by customer involvement and intimacy. This is supported by research, which suggests that it has a positive impact on customer engagement, encouraging customers to have high

indicate that the second hypothesis is accepted. Trust has a positive effect on customer intimacy and when the customer already has a strong sense of trust, trust will affect the relationship. Trust has a positive effect on customer intimacy, and when customers already have a strong sense of trust, that trust affects even more intimate relationships [11]. The higher the level of customer trust in the bank can affect customer intimacy [2]. The results of testing the third hypothesis are accepted. The effect of trust on customer loyalty is positive. Trust increases a customer's willingness to return to loan transactions in the future and increases the likelihood of recommending the bank to other customers [8]. A high level of trust can influence customers to become loyal customers and trust will have a direct impact on customer loyalty. The results of the hypothesis show that the fourth hypothesis in this study is accepted. The effect of involvement on customer loyalty is positive. Previous research also states that engagement will have a positive effect on higher levels of customer loyalty [22]. Further, other studies suggest that increasing customer engagement also increases customer loyalty, it is important for service providers to build reliable engagement in terms of increasing loyalty [15]. Involvement has a positive

effect on customer loyalty and involvement is one of the factors that can influence customer decisions [16].

The relationship between customer intimacy and customer loyalty is rejected in the fifth hypothesis. Respondents' responses stated that Islamic bank customers do not fully have a good relationship with Islamic banking, because customers still think that Islamic banks are no different from conventional banks. It cannot be denied that what is happening in the field at this time many Islamic banks have not met the standardization of Islamic principles in terms of products and services so that the relationship of customer intimacy to customer loyalty cannot be proven. The sixth in this study is also accepted. Previous research on involvement as a mediating variable for the relationship between trust and customer loyalty has been studied by [6]. Trust is particularly important when two situational factors are present in the exchange relationship: (a) uncertainty about risk perceptions and (b) differences in the availability of information related to decision making. Customer involvement is a variable that assists a mediating role in building a relationship of trust and customer loyalty [17]. Meanwhile, the result of hypothesis testing states that H7 is rejected. Customer loyalty is influenced by five factors, namely: satisfaction, emotional bonding, trust, choice reduction, and habit and history with the company [26]. By these studies, trust has a direct impact on customer loyalty, so without the mediation of customer intimacy, the relationship of trust and loyalty would be strained.

AUTHORS' CONTRIBUTIONS

This study contributes to marketing literature by examining customer behavior based on the study on customer intimacy. Islamic banking needs to maintain customer trust, such as setting Islamic standards for products and services so that no more customers think Islamic banks are no different from conventional banks. Further, banks need to improve the quality of service for customers and their employees are responsive, intelligent, and knowledgeable, oriented towards good service to customers, and have high emotional intelligence and empathy. Involvement can create customer trust and customer loyalty because a high level of involvement will make the level of customer loyalty to Islamic banks even higher. A better understanding of these interactions will assist banks to provide quality products, better service, and maintaining relationships with customers. This trust also increases the willingness of customers to return to transactions and recommends the bank to other customers so that a high level of trust affects loyal customers. However, in this research different countries are also studied separately. In developing and testing the theoretical model consumer behavior has given considered that important in terms of taking attention to the impact unique behavior of the specific respondents. Finally, these findings encourage

Islamic banks to develop and engage in the banking business.

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