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Trust-Loyalty Relationship Model in Islamic Banking: Evidence from Indonesia

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Abstract:
Purpose
The purposes of this study are three-folds, first, to proposethe construct of trust, second to validate the trust model and finally to find out whether or not the trust dimensions impact customer loyalty.

Design/methodology/approach
The data was collected through self-administered questionnaires with a total of 196 respondents of Islamic banking customers. After conceptualizing trust and loyalty variables, dimensions and indicators are examined. To validate whether or not the indicators reflect the variable conceptualization, Confirmatory Factor Analysis (CFA) wasapproached. While to find out the impact of trust dimensions on loyalty, Structural Equation Modeling (SEM) was employed. Before conducting the analysis, however, the goodness of fit of the model hadbeen examined.

Findings
Drawing from the literature review, this study proposes four dimensions of trust; sharia, competence, integrity and benevolence and two dimensions of loyalty; behavioral and attitudinal. Confirmatory factor analysis reveals that from the twenty-five indicators, five indicators should be dropped (loading factor<0.5). Since the proposed model shows goodness of fit (RMSA=0,072), regression analysis among dimensions could be further investigated. The findings are interesting. Only sharia and benevolence dimensions significantly impact attitudinal loyalty (t=2.52 and t=3.32 respectively) and no dimensions of trust impact behavioral one. However, it is evidenced that attitudinal loyalty significantly impact behavioral (t=5.11). Therefore, it could be expected that sharia and benevolence dimensions indirectly impact behavioral loyalty through attitudinal as mediating variable.

Originality/value
The study contributes to trust model and the relationship among trust and loyalty dimensions in Indonesian Islamic banking context.

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I. INTRODUCTION

The history of Islamic banking in Indonesia started from 1991 with the establishment of Muamalat Bank which was initiated by Indonesian Ulama Council and supported by the government. Referring to Financial Service Authority, in 2017 there are 13 commercial Islamic banks with 1849 offices (headquarters and branches). This fact shows the significant growth of Islamic banking.

Consistent with the increase of bank and office number, the third party fund also grows, from 4.537 billion in 2009 to 302.013 billion in 2017. This indicates the growing awareness of people to invest their fund in Islamic banking. Not only in deposit, financing aspect also increases from 46.886 billion in 2009 to 281.830 billion in 2017.

January-February 2020
ISSN: 0193-4120 Page No. 15116 - 15132

In contrast to the growth of the third party deposit and customer financing, the market share of Islamic banking is still far from expectation. Until December 2017, the market share of Islamic banking only reaches 5,74%. Although the market share almost always increases every year, it could be said that it is still low. This issue is interesting to investigate due to, at least, three reasons. First, the majority of Indonesian people are Moslems (87,18%). The government introduced Islamic banking to provide Moslems with products and services in compliance with Sharia.Second, this fact is also in the contrary to Theory of Reason Action (Fishbein & Ajzen, 1975), stating that consumers will buy products or services in line with their belief. If they believe that Islamic banking operationally comply with Sharia law, it could be expected that they will perform transaction in Islamic banking, instead of conventional one.

Third, the low market share of Islamic banking indicates the superiority of conventional banking comparing to Islamic banking.

It is worth investigated since market share plays essential role in enhancing profitability (Szymanski, Bharadwaj & Varadarajan, 1993; Laverty, 2001).

Due to its importance, many scholars investigate the factors impacting the market share. After an extensive and in-debt study of existing literature, one of the important market share antecedent is loyalty (Al-Wugayan, Pleshko & Baqer, 2008; AL-Wugayan Pleshko, 2011; Pleshko an Baqer, 2008; Chaudhuri an Holbrook, 2001). Loyal customers will transact repeatedly, do not easily switch to other banks and say positive words of mouth (Metawa & Almossawi, 1998).

If loyalty is the factor influencing market share, the following question is what factor impacting loyalty. Gecti & Zengin (2013) suggest that loyalty is impacted by trust. This finding is supported by Zboja & Voorhees (2006), Kaur & Kiran (2015) and Wang & Wu (2012). Trust is also found as mediating variable between satisfaction and loyalty (Alrubaiee, 2012).

Although trust has been generally found impacting loyalty, scholars still opine differently on the dimensions of trust. Therefore, the goals of this research are three-folds: 1). to proposethe trust construct 2). to validate the trust model and finally to find out whether or not the trust dimensions impact customer loyalty.

After this introductory section, the remainder of this paper is organized as follows: Section 2 will present the theoretical framework and hypothesis development which is followed by section 3, the research method. Section 4 will discuss the findings and discussion. This paper will be closed by conclusion, limitation of this research and opportunity for further research.

II. Theoretical Framework and Hypothesis Development

2.1 Trust

2.1.1 Conceptualization of Trust

Trust plays fundamental role in interaction among persons and organizations. Trust promotes mutual cooperation (Schurr & Ozanne, 1985), becomes the basis of long-term relationship (Sirdeshmukh, *et al*. 2002)., anticipates uncertainty risk in the future (Lewis & Weigert, 1985) and indicates the quality of relationship (Crosby, Evans & Cowles, 1990). In spite of its importance, the scholars define differently (Fischer & Gartner, 2015), incomplete and inconsistent (McKnight, 2002) to trust.

Lewis & Weigert (1985) investigate the concept of trust. Trust refers to a functional alternative to rational consideration for complexity reduction. Some customers might not understand the whole system of Islamic banking. Since they trust the bank, however, they transact with Islamic banking.

TEST Engineering & Management
January-February 2020
ISSN: 0193-4120 Page No. 15116 - 15132

Therefore, it is essential to build customer trust with the bank.

More detailed definition is suggested by Mayer, Davis & Schoorman (1995). Trust is defined as the willingness of a customer to be vulnerable to the actions of Islamic bank based on the expectation that the bank will perform important action for the best of customers, irrespective of the customer ability to monitor or control the bank. Trust refers to the willingness of customers to bear the risk in the future. Customers believe that the bank will do the best for the benefit of the customers.
Ballester (2013) conducts a conceptual research on trust and defines it as a feeling of security held by the customers in their interaction with Islamic bank, based on the perceptions that the bank is reliable and responsible for the interests and welfare of the customers. Trust is indicated by a feeling of security. The more the feeling secured, the more the customerstrust.

In conventional (online) banking context, this definition is adapted by Corritore, Kracher & Wiedenbeck (2003). Trust refers to an attitude of expected confidence in an online situation of risk that the customer's vulnerabilities will not be exploited. Trust is an attitude mediating between intention to buy and decision to buy.

Johnson & Grayson (2005) conceptualize trust by giving attention on the antecedents and the indicators of trust. Trust is defined as a customer's confidence or willingness to rely on a Islamic banking competence and reliability of staffs and a feeling of customer confidence generated by the level of care and concern of the bank. Customers trust the bank because of their staff competence and attention given by the bank.

Grayson, Johnson & Chen (2009) define trust by identifying two characteristics of bank. Trust is a belief that the Islamic bank is benevolent and honest. Customers trust to the bank because 1), the bank will care to the customers and 2). the bank is honest. This definition is supported by Dimitriadis, Kouremenos & Kyrezis (2011). Trust is customer's belief that the Islamic bank has one or more characteristics beneficial to them.

Kantsperger & Kunz (2010) assert simpler definition. Trust is willingness to rely on an exchange partner in whom one has confidence. Trust means confidence. The level of trust is measured by the level of confidence.

In Islamic banking context, Hoq, Sulatana & Amin (2010) define trust as an obligation of a Moslem to perform banking transaction complying to Islamic principles and moral values. Trust, which is called *amanah*, is the basic value of Islam. Moslems have to be trusted, not only in economic life, but also in social life. Moslems who cannot be trusted, will not only impact the social life or in this world but also hereafter (*akherat*).

Ali (2017) defines trust as customers and Islamic banking mutual confidence on reliability, integrity and performance. In Islam, trust is regarded as the highest value in business transaction. The principles of trust are accountability and honesty. The basic philosophy of trust in Islamic banking is amanah, equity and honesty among people which create moral values on the relationship between customers and Islamic banking.

The construct proposed in this research will combine the trust concept developed by Mayer *et al.* (1995), Hoq *et al.,* (2010) and Kantsperger & Kunz (2010). Mayer *et al.* (1995) is adapted due to the comprehensive conceptualization of trust in general. Hoq *et al.* (2010) is used since they conceptualize trust in the context of Islamic banking. While Kantsperger & Kunz (2010) is approached because they represent trust concept from conventional banking. In this study, trust is proposed as customer belief that the bank is operationally in line with *Sharia* principle, managed by professional staffs, honest and *amanah*, and pay attention on the customer interest.

2.1.2 Measurement of Trust

Different conceptualization leads to different measurement. Lewis & Weigert (1985) investigate conceptually on trust and find three dimensions: 1). cognitive 2). affective dan 3). behavioral. Cognitive dimension, in banking context, measures the knowledge of customer on the bank. The higher the customer knowledge on the bank, the higher the customer trust to the bank. Cognitive dimension leads to affective dimension. Affective dimension measures the emotional bond between the customers and the bank and the emotional bond creates the intense relationship. Therefore, the betray of trust will eradicate the trust developed before. While behavioral dimension refers to the belief that both the bank and the customers will act the best for their mutual benefits.

Similar study is conducted by Mayer, *et al.* (1995). However, they suggest different findings. Trust is measured by three dimensions, 1). ability 2). benevolence and 3). integrity. Ability refers to skills, competence, and characters of staffs that creates customers trust to the bank. Benevolence is the customer belief that the bank acts for the benefit of the customers, not for the bank interest only. While integrity is the belief that banking have similar principles and values with the customers

Ballester (2003) conceptualizes trust and find two measurementdimensions; 1). fiability and 2). intentionality. Fiability is the belief that the bank will satisfy the customer need and provide services as promised. While intentionality is the belief that the bank is responsible and care to the interest of customers in the future. This definition is similar to benevolence of Mayer's definition.

In conventional banking context, Corritore, *et al* (2003) measure the customer trust to the online system with four dimensions; 1). generality 2). kinds 3). degrees and 4). stages. Generality is the width of trust. For example, some customers trust to all banking transaction or only certain transaction. Kinds are the speed of customers in trusting the banking system. Degree is the deep of trust consisting basic, guarded and extended. While stages are the development of trust, from initial to mature trust.

Johnson & Grayson (2005) measure trust in financial institution context. Trust is measured by cognition and affection. They have similar dimensions with Lewis & Weigert (1985), but without *behavioral*.

Kantsperger & Kunz(2010) investigate trust in the context of banking in Germany. Trust is measured by 1). benevolence and 2). credibility. Credibility refers to banking ability to assure quality to the customers. Therefore, the bank creates effective and efficient process that should be understood by all staffs.

Dimitriadis, *et al.* (2011) develop measurement scale in the context of internet banking. Trust is measured by four dimensions, 1). competence(customer belief that the bank has the ability and power to do what they have to do).2). integrity(the belief that the bank is honest and keep promise) 3). benevolence, and 4). predictability(customer belief that other's behavior is consistent and can be predicted in the future).

Phan & Ghantous (2013) investigate trust concept and measurement in the context of e-banking in Vietnam. Trust is measured by three dimensions; integrity (sincerity, enthusiasm, and bank attention to customers), 2). benevolence (innovation and efforts to satisfy the customer's need 3). credibility (feeling of security and belief to the quality delivered by the bank).

In Islamic banking context, Hoq *et al* (2010) measure trust by three indicators; 1). the bank concern on Islamic principles 2). the safety of deposits and 3). the *sharia* compliance of the product and services.

In this study, trust will be measured by combining Mayer *et al.* (1995), Kantsperger & Kunz (2010) and

Hoq *et al.*, (2010) conceptualization with four dimensions, *sharia*, competence, integrity and benevolence. Mayer *et al.* (1995) is used due to their comprehensiveness, Kantsperger & Kunz (2010) is adopted since the study result has been cited by many researchers while Hoq *et al.* (2010) is adopted since it is using Islamic banking as the research context.

Table 1 describes the dimensions, definitions and resources of trust conceptualization.

Tabel 1
Dimension and Definition of Trust

Dimension	Definition	Sources
Sharia	The customer belief that Sharia banking will use the system compliance with Sharia.	Hoq *et al.* (2010)
Competence	The customer belief that the staffs are equipped with skills, competence and characters to do the job as assigned.	Mayer et al (1995)
Integrity	The customer belief that the bank has good intention, honest, and delivered product and services as promised.	Mayer et al (1995) Kantsperger dan Kunz (2010)
Benevolence	The customer belief that Islamic banking will pay attention on the customer's interest.	Mayer et al (1995),Kantsperger dan Kunz (2010)

2.2 Loyalty

2.2.1 Conceptualization of Loyalty

Marketing activities are aimed at developing, maintaining and improving customer loyalty to the banking products and services (Dick & Basu, 1994). Loyalty is the success key of sustainable organization (Keating, Rugimbara & Quazi, 2003), positive words of mouth (Hallowell, 1996), insensitive to price (Lynch & Ariely, 2000) and higher and more stable revenues (Knox & Denison, 2000).

Loyalty concept has been developed by many researchers. Dick & Basu (1994) investigate conceptually the concept of loyalty and define it as the relationship between the relative attitude toward an entity (brand/service/store/vendor) and patronage behavior. The relationship between the relative attitude and patronage resultsto four types of loyalty 1). no loyalty, when both attitude and patronage are low 2). spurious loyalty, when attitude is low but patronage is high 3). latent loyalty, when attitude is high but patronage is low 4). Loyalty, when both attitude and patronage are high.

More comprehensive definition is suggested by Oliver (1999). Loyalty is the deeply held commitment by the customer to re-buy or re-patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior. This conceptualization of loyalty has been adopted by many banking researchers, some of them are Ndubisi (2007), Hung (2008), Alrubaiee & Al-Nazer (2010), Alrubaiee (2012), Carvajar, Ruzzi & Nogales (2011), Abu-Elsaman, Akroush, Al-Khawaldeh & Al-Shibly (2011), Amin, Abdurahman & Abdurrazak, (2014), Kashif, Shukran, Rehman, & Sarifuddin (2015), and Tweneboah & Yuty (2015).

Pedersen & Nysveen (2001) adopt the conceptualization of Oliver (1999). However, they

January-February 2020
ISSN: 0193-4120 Page No. 15116 - 15132

combine cognitive, affective and conative dimensions into attitudinal loyalty. While action dimension is regarded as behavioral loyalty.

In conventional banking context, Caruana (2002) defines loyalty as the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service exists. This definition combines behavioral and affective dimensions. Behavioral is indicated by repeat purchasing while affective dimension is reflected by positive attitude.

Beerli *et al*, (2004) adopt Dick & Basu (1994) definition. However, they simplify the loyalty typology into two; 1). loyalty-based on inertia and 2). true brand loyalty. Loyalty-based on inertia refers to customers who perform transaction with the bank since it is easier comparing to other banks, for example it is close to the house or office. Therefore, this type of customer will switch to other bank if the bank gives better facilities. While customers with true-brand loyalty will transact with the bank with full awareness and high commitment.

Ndubisi *et al* (2007), in the context of Malaysian banking, adopt loyalty conceptualization of Oliver (1999). To enhance customer loyalty, banking needs to create programs to strenghthen relationship between customers and banking.

Casalo, Flavian & Guinalin(2008) defines loyalty as a psychological link, based on customer feelings that motivate a general attachment to people, products or services of an organization. This definition shows that loyalty refers to psychological aspect. Loyalty is indicated by the closeness of customers to the bank.

Colwell, Scott, Jiang & Joshi (2009) define loyalty as both a positive affective reaction to the bank and a behavioral intention to sustain the relationship in the foreseeable future. Loyalty covers affective (attitude to the bank) and behavioral (customer intention to stay in the bank in the future).

Loyalty in Islamic banking context has been investigated by Amin *et al.* (2013). Loyalty is defined as the continuing patronage of a particular bank by a client over time. Kashif *et al.* (2015) investigated loyalty in the Islamic banking context and adopt loyalty conceptualization of Oliver (1999).

In this study, loyalty conceptualization will adopt Amin *et al* (2013) and Kashif *et al* (2015) due to the same context with this study, Islamic banking. Loyalty is the customer commitment to Islamic banking as a bank choice indicated by repeat transaction and care to the development of a bank.

2.2.2 Measurement of Loyalty

Many scholars have different opinion in measuring loyalty. Dick & Basu (1994) measure loyalty in three dimensions, cognitive (related to information) affective (related to the feeling of customer to the product or services of the bank) and conative (related to the behavior). Oliver (1999) adds *action* (doing transaction) in his measurement. However, different from Dick & Basu (1994) conceptualization, cognitive, affective, conative and action according to Oliver (1999) are the stages of loyalty. As illustration, customers deal with Islamic banking since the profit sharing in Islamic banking is higher than the interest rate in conventional banking (cognitive banking). When customers are satisfied with the transaction experience, the customers will be pleasure (affective loyalty). Repeated satisfaction will lead to customer intention to repeat transaction (conative loyalty). Intention to repeat transaction does not guarantee to repeat transaction. Customers need commitment to solve the problems that might exist for repeat transaction (action loyalty).

Caruana (2002) opines differently. Loyalty starts from repeat transaction (action loyalty) which in turn create positive attitude (affectiveloyalty) and transaction experience could be the consideration (cognitive loyalty) for future transaction (conative loyalty). This opinion is supported by Kheng *et al.*, (2010) and Siddiqi (2011). Loyalty covers both

TEST Engineering & Management

January-February 2020
ISSN: 0193-4120 Page No. 15116 - 15132

behavioral(repeat transaction) and attitudinal (positive attitude) to Islamic banking.

Pedersen and Nysveen (2001) simplify dimensions of Oliver (1999) into two, attitudinal (combination of cognitive, affective and conative) and behavioral (action dimension). This measurement is adopted by Baumann, Elliot & Hamin (2011) in measuring customer loyalty in Australian banking context. Behavioral loyalty is measured by share of wallet (the percentage of customer fund deposited in the bank) while attitudinal loyalty is measured by the customer intention to transact in the future (*future* intentions).

In Islamic banking context, loyalty refers to customer's commitment to deal with Islamic banking. Amin *et al* (2014) measure loyalty by four indicators, 1). positive words of mouth 2). recommendation to family and relative 3). recommendation to other people and 4). repeat transaction.

Kashif *et al.* (2015) investigate loyalty in Islamic banking context in Malaysia. Although they adopt Oliver (1999), they have different indicators of measurement. They measure loyalty with three indicators, 1). future intention, 2). recommendation and 3). positive words of mouth.

The measurement scale of loyalty in this study will combine Amin *et al.* (2013) and Kashif *et al.* (2015). They are adopted since their measurement scale have been tested in Islamic banking context. Loyalty will be measured by two dimensions, attitudinal and behavioral. Table 2 shows the dimensions, definitions and sources of loyalty variable..

Tabel 2
Dimensi Variabel Loyalitas Nasabah

Dimensions	Definision	Sources
Attitudinal	Positive attitude and commitment to Islamic banking as a bank of choice.	Amin *et al.* (2013) , Kashif *et al.* (2015)
Behavioral	Customer behavior to do repeat transaction with Islamic banking.	Amin *et al.* (2013), Kashif *et al.* (2015)

2.3 Hypothesis Development and Research Model

The relationship between trust and loyalty is developed in the basis of trust and commitment theory (Morgan and Hunt, 1994). Trust is regarded as the success key in the long term relationship. Customers who trust to Islamic banking will maintain the relationship and loyal to the bank. This theory has been confirmed by Ball et al (2004), Kantsperger & Kunz (2010), Hoq *et al*, (2010), Alrubaiee (2012), and Amin *et al*. (2014).

Customers expect Islamic banking runs the business in compliance with Sharia. Sharia dimension, in banking context is indicated by no interest in transaction, fund safety, sharia-based products and services, fund investment in Sharia business and Sharia-based contract. When customers, in their experience, feel that the Islamic bank applicate Sharia law, they will have positive attitude and perform repeat transaction with the bank. Therefore, the hypotheses proposed are:
H1: Sharia dimension of trust effects positively and significantly on attitudinal loyalty.
H2: Sharia dimension of trust effects positively and significantly on behavioral loyalty.

In practice, customers interact with the staffs. In the interaction, customers will consider the competence of the staffs indicated by attention to customer's need and interest, service quality and professionalism. Customers who deal with Islamic

January-February 2020
ISSN: 0193-4120 Page No. 15116 - 15132

bank expect that the bank staffs are professionals and pay attention on their need and interest. When they experience as expected, they will have positive attitude and perform repeat transaction with the bank. Therefore, the following hypotheses can be proposed.

H3: Competence dimension of trust effects positively and significantly on attitudinal loyalty.

H4: Competence dimension of trust effects positively and significantly on behavioral loyalty.

Customers expect that the bank staffs are keeping promise, honest, fair and sincere. These attributes are called integrity. Interaction between customers and the banks is just like interaction between person to person. If he/she does not keep the promise or honest, he/she will not be trusted. Customers who perceive that the banks staffs are honest and sincere they will have positive attitude and do repeat transaction with the bank. From this framework of thinking, the following hypotheses are proposed.

H5: Integrity dimension of trust effects positively and significantly on attitudinal loyalty.

H6: Integrity dimension of trust effects positively and significantly on behavioral loyalty.

Future is unpredictable. Customers do not know what is going to happen. The bank staffs have to convince the customers they will put attention on their interest and benefits. This type of situation is called benevolence which is indicated by the ability of bank to solve problems, bank trustworthy, reliability and innovation. If customers perceive that the bank have such kind of attributes, they will have positive attitude and do repeat transaction with the bank. Based on this framework, the following hypotheses are proposed.

H7: Benevolence dimension of trust effects positively and significantly on attitudinal loyalty.

H8: Benevolence dimension of trust effects positively and significantly on behavioral loyalty.

Behavioral loyalty is indicated by positive words of mouth, recommendation and willingness to get less financial benefit (compared to conventional banking). Customers will not tell the good things and recommend Islamic bank to others if they do not have positive attitude to Islamic banking. Therefore, the following hypotheses can be proposed:

H9: Attitudinal loyalty effects positively and significantly on behavioral loyalty.

Figure 1 illustrates the relationship model of this research.

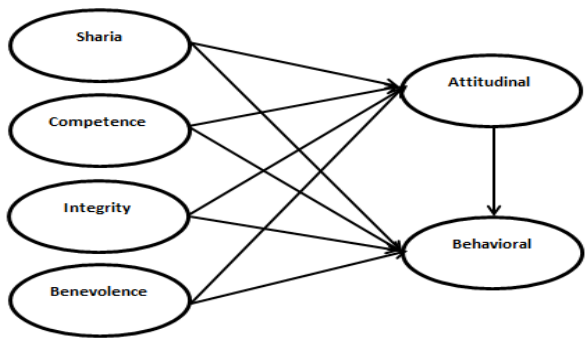


Figure 1. Research Model

III. Research Method

A. Research Type

In line with the research objectives, this study is quantitative in nature. Quantitative research is basically to test the theory. This study examines trust theories and their relationship to loyalty in Islamic banking context.

B. Data Collection

Data is collected by self-administered questionnaire. Questionnaire is developed from the proposed construct and tested by Confirmatory Factor Analysis (CFA).

Trust is measured by twenty indicators with five indicators of each dimension. While attitudinal loyalty is measured by two indicators and behavioral loyalty is measured by three indicators. Table 3 describes the dimension and indicators used in this paper.

January-February 2020
ISSN: 0193-4120 Page No. 15116 - 15132

Table 3
Dimension and Indicators of Variables

Dimensions	Indicators
Sharia	S1: no interest in Islamic banking.
	S2: fund safety
	S3: Sharia compliance of products and services.
	S4: Fund investment in Islamic business.
	S5: Sharia contract
Competence	C6: Staff attention to customer's need.
	C7: attention on customer's interest.
	C8: paying attention on customers
	C9: service quality
	C10: professionalism
Integrity	I11: keeping promise
	I12: staffs honesty
	I13: telling the truth
	I14: staff fairness
	I15: sincerity
Benevolence	B16: solving problems
	B17: trustworthy.
	B18: giving best alternative to customers
	B19: Reliability
	B20: offering new product
Attitudinal	L21: Islamic bank as the bank of choice
	L22: intention to stay with the bank.
Behavioral	L23: positive words of mouth
	L24: recommendation
	L25: willingness to get less financial benefit

3.3 Data Analysis

Structural Equation Model (SEM) is employed to analyzethe data. SEM is used for both measurement and structural model. Measurement model is used to find out whether or not the indicators reflect the variable. While structural model is employed to find out the goodness of fit of the model. Structural model could also indicates the impacts of trust dimensions on loyalty.

IV. Findings and Discussions

4.1 Demographics of Respondents

Table 4 describes the demographics distribution of respondents. The respondents consist of proportional percentage of male and female with 46.6% and 53.4% respectively.

In relation to education background, the majority of respondents are graduate levels (47.6%) followed by post graduate holders and only 15.7% are graduated from Senior High School. This indicates that most of the respondents are educated or rational people. The majority of respondents are between 20 to 30 years of age (46.6%) followed by respondents of 40 years and up (30.4%). Smaller number consist of 31 to 40

January-February 2020
ISSN: 0193-4120 Page No. 15116 - 15132

and less than 20 years with 16.2 and 6.8% respectively.

In connection with the years of respondents to be Islamic banking customers, Mostly, they have become the customers between 3-6 years (37.2) while respondents with less than 3 years and more than 6 years share the same percentage (31.4).

Table 4
Demographic Factor of Respondent

Demographic factors	Number	Percentage
Sex		
Male	89	46.6
Female	102	53.4
Total	191	100
Education		
Graduate	91	47.6
Post	70	36.7
graduate	30	15.7
Senior High	191	100
School		
Total		
Age		
<20	13	6.8
20 sd 30	89	46.6
31 sd 40	31	16.2
>40	58	30.4
Total	191	100
Years to be		
customers	60	31.4
<3thn	71	37.2
3-6	60	31.4
>6thn	191	100
Total		

4.2 Measurement Model

Before testing the structural model, a measurement model was conducted to examine whether or not the proposed indicators reflect the dimensions.

The initial 25 items were subjected to a confirmatory factor analysis (CFA) resulting four items were deleted due to low factor loadings (cut-off=0.4).

The deleted items include; S4, C9, I14 and B19. The 21 remaining items shows good standardized factor loading (SLF) ranging from 0.4 to 0.9. The values display the convergent validity.

The discriminant validity test was also conducted. Average value extracted (AVE) measures found values between 0.56 and 0.85. Overall, these values show discriminant validity for the indicators.

To asses the internal consistency of indicators, a reliability test was approach. T-values of composite reliabilities (CR) are between 0.35 and 0.67.

These values show considered reliable for assessing each construct.

Table 5 shows SLF, AVE and CR of indicators and dimensions.

Table 5
Standardized Factor Loading, Average Variance Extracted and Composite Reliability

Dimensions	Indicators	SFL	AVE	C.R
Sharia	S1: I believe that there is no interest in sharia banking.	0.66	0.81	0.5
	S2: I believe the fund is safe.	0.77		
	S3: I believe the product and service offered is in line with Sharia.	0.86		
	S5: I believe the contract of financing and saving is in	0.76		

	line with sharia.			
Competence	C6: I believe the banking staff pays attention on my need and expectation.	0.76	0.8	0.5
	C7: I believe the staff pay attention on my interest.	0.8		
	C8: I believe the sharia banking does not take benefit from me for the banking benefit.	0.56		
	C10: I believe in the professionalism of sharia banking.	0.78		
Integrity	I11: I believe the bank staff will keep the promise.	0.84	0.85	0.57
	I12: I believe the bank staffs are honest.	0.91		
	I13: I believe the bank staff telling the truth.	0.8		
	I15: I believe the bank staff serve me sincerely.	0.82		
Benevolence	B16: I believe Islamic banking will help me solve the problem.	0.82	0.85	0.56
	B17: I believe Islamic banking is trustworthy.	0.89		
	B18: I believe Islamic banking provide with the best alternative to customers.	0.86		
	B20: Regularly Islamic banking offers new products suitable with my need.	0.67		
Attitudinal	L21: Islamic banking becomes my first choice.	0.81	0.8	0.67
	L22: I will stay with the bank in the future.	0.83		
Behavioral	L23: I will tell the good things about the bank in the future.	0.82	0.59	0.35
	L24: I will recommend Islamic banking to other people.	0.4		
	L25: I don't mind getting lower financial benefit comparing to conventional bank.	0.46		

4.3 Structural Model

To test the proposed conceptual model, a structural equation model was established by using the maximum likelihood estimation approached. By employing LISREL 8.5 software application, the results are shown in Figure 2 and Table 6.

January-February 2020
ISSN: 0193-4120 Page No. 15116 - 15132

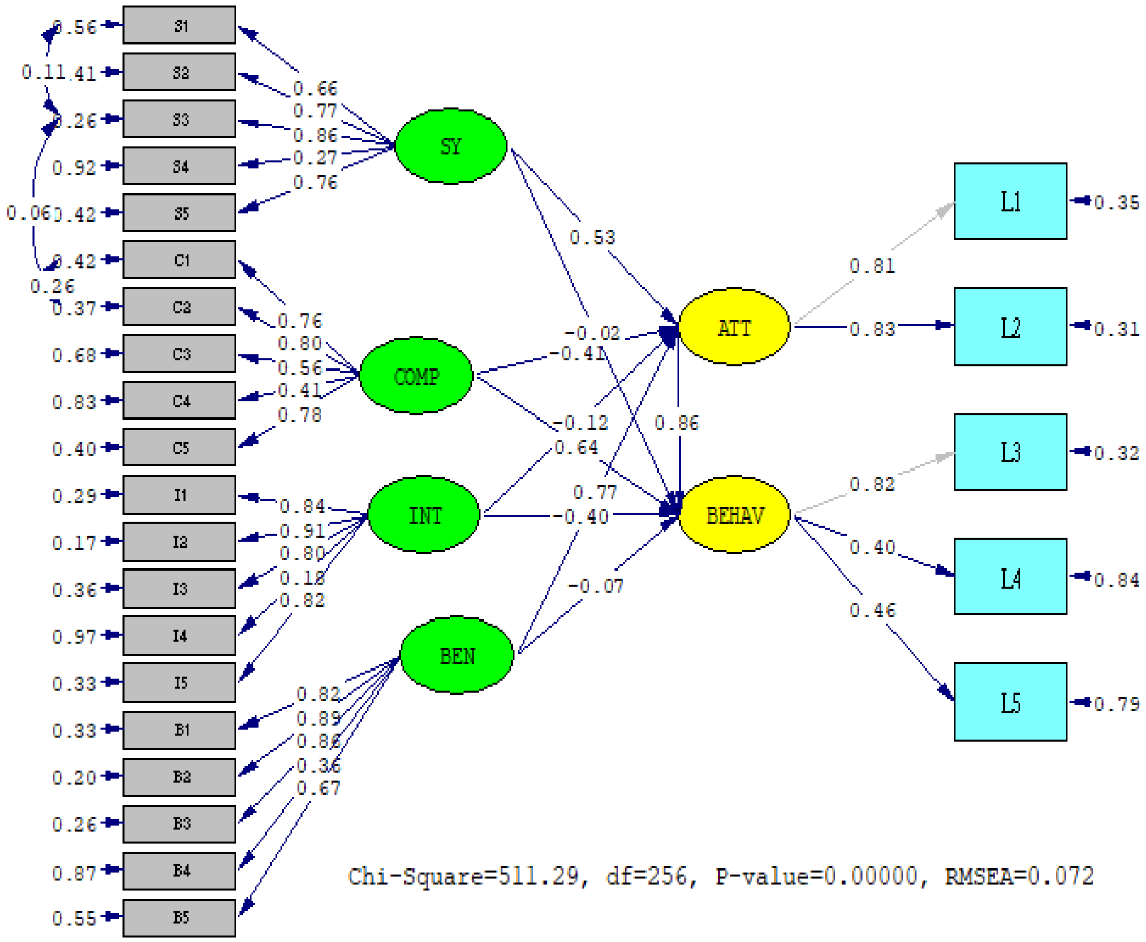


Figure 2. The Structural Model of Trust-Loyalty Relationship

Table 6
Goodness of Fit Indices (GOFI) of the Structural Model

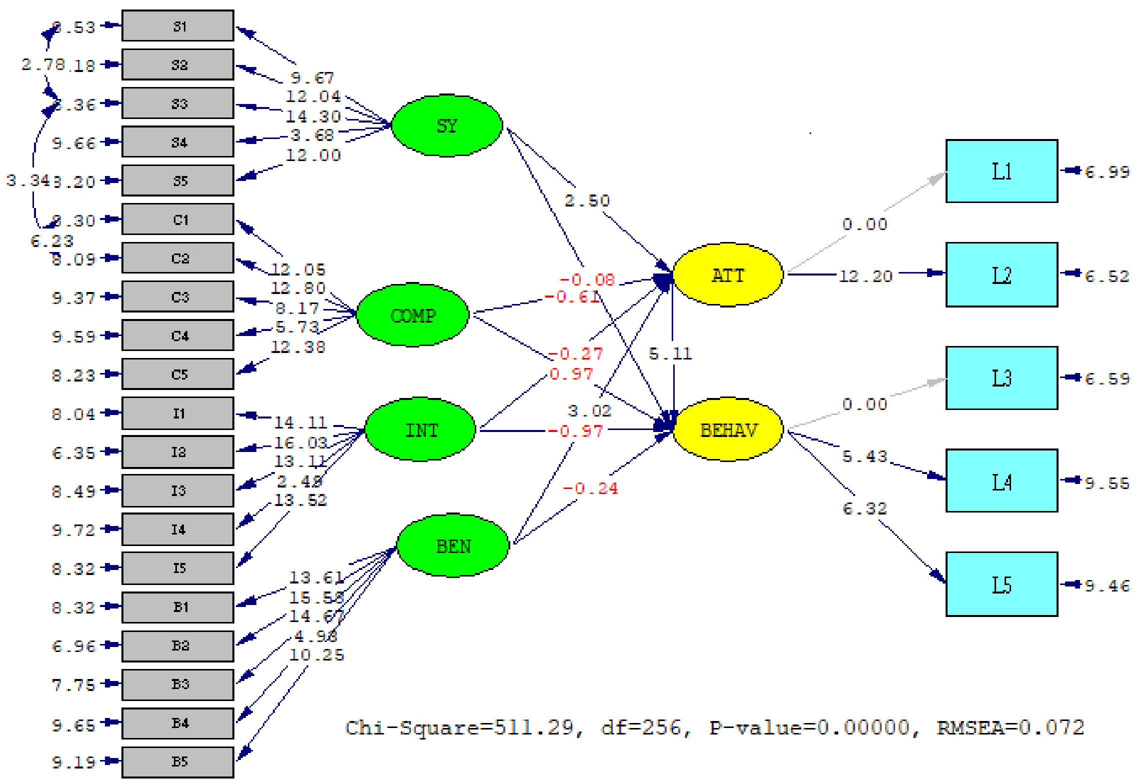
GOFI	Values	Cut-off values	Conclusion
p-value	0.0000	p-value ≥ 0,05	Marginal Fit
RMSEA	0.072	RMSEA ≤ 0,08	Good Fit
NFI	0.95	NFI ≥ 0,90	Good Fit
NNFI	0.97	NNFI ≥ 0,90	Good Fit
CFI	0.98	CFI ≥ 0,90	Good Fit
IFI	0.98	IFI ≥ 0,90	Good Fit
SRMR	0.070	Standardized RMR ≤0,05	Marginal Fit
GFI	0.83	GFI ≥ 0,90	Marginal Fit

Based on the above Table, the values of goodness of fit indices (p-value, RMSEA, NFI, NNFI, CFI, IFI, SRMR, GFI) revealed that the model fit the data. Therefore, the hypotheses testing of trust dimensions and loyalty can be further conducted.

4.4 Hypothesis Testing

The following figure shows t-value of the relationship among variables.

January-February 2020
ISSN: 0193-4120 Page No. 15116 - 15132



The relationship found between *sharia* and attitudinal is 2.50. The value indicates that Sharia dimension of trust effects positively and significantly on attitudinal loyalty. Customers trust to the bank when they believe that the bank hold the same values with them. Thus, H1 is supported. This finding is supported by Amin et al (2014) asserting that *sharia* aspect impacts loyalty.

The relationship between *sharia* and behavioral is -0.08, indicating that *sharia* dimension of trust does not impact significantly on behavioral loyalty. Thus, H2 is rejected. Customers who believe that Islamic bank operationally comply to *sharia*does not directly to repeat transaction or recommend to other people. This result is interesting since it is in the opposite to Amin *et al* (2013) evidence stating that Trust in *sharia* aspect of Islamic banking significantly impact on loyalty. This result might suggest that the Indonesian banking customers do not really consider *sharia* aspect when performing transaction in Islamic banking.

The relationship between competence and attitudinal is -0.61 suggesting that competence dimension of trust does not impact significantly on attitudinal loyalty. Thus, H3 is rejected. This finding might suggest that the staffs competence in banking is about the same or standardized. To be more specific, the knowledge, the skill and the attitude of the staffs are around the same level. Therefore, they do not impact to positive feeling of customers.

The relationship between competence and behavioral is 0.97, indicating competence dimension of trust does not impact significantly on behavioral loyalty. Thus, H4 is rejected. Although the hypothesis is rejected, it is interesting to note that the relationship between competence and behavioral loyalty is much higher than the relationship between competence and attitudinal loyalty.

The relationship found between integrity and attitudinal is -0.27. This value indicates that integrity dimension of trust does not impact significantly on attitudinal loyalty. Thus, H5 is rejected. This finding is in the contrary to Kantsperger & Kunz (2010) stating that credibility or integrity in this study impact significantly to loyalty. Integrity aspect, such

January-February 2020
ISSN: 0193-4120 Page No. 15116 - 15132

as keeping promise, honesty and sincerity, seems indifferent among banking staffs.

The relationship between integrity and behavioral is -0.97, meaning that integrity dimension of trust does not effect significantly on behavioral loyalty. Thus, H6 is rejected. This finding is in the contrary to Kantsperger & Kunz (2010). This finding is interesting since it is contrary to the theory stating that customers will purchase services to the bank with the same values believed.

The relationship between benevolence and attitudinal is 3.02, indicating that benevolence dimension of trust effects positively and significantly on attitudinal loyalty. Thus, H7 is supported. This finding is in line with Kantsperger & Kunz (2010) results that benevolence dimension impact significantly to loyalty. Amin *et al* (2014) also suggests that the fund safety is one factor significantly impact on loyalty. Banking is trust business. Customers will deposit their fund if they believe their fund will be safe in the future.

The relationship between benevolence and behavioral is -0.24. This result shows that benevolence dimension of trust does not significantly effect on a behavioral loyalty. Thus, H8 is rejected. This result is in the contrary to the result of Kantsperger & Kunz (2010) study. Although benevolence dimension does not impact behavioral loyalty but this research finds that benevolence indirectly effects behavioral loyalty through attitudinal loyalty.

The relationship between attitudinal and behavioral is 5.11. This result shows that attitudinal loyalty effects significantly on behavioral loyalty. Positive attitude toward Islamic bank impacts customers to retain in Islamic banking. They will transact with the bank and say good things to others. They will also recommend to others do deal with Islamic banking.

V. Conclusions

The purpose of this research is three-folds, first, to propose the trust construct, second, to validate the trust model and third, to find out the impact of trust dimensions to loyalty. The research result shows that:

1. Trust is conceptualized as customer belief that the bank operationally complies with *Sharia* principles, managed by professional staffs, honest and *amanah*, and put attention on the customer interest.
2. *Sharia*, competence, integrity and benevolence dimensions are confirmed valid reflecting trust conceptualization.
3. Of four dimensions, only *sharia* and benevolence dimensions impact significantly on attitudinal loyalty. This research also revealed that no dimensions impact behavioral loyalty. However it is worth noting that attitudinal loyalty impacts behavioral one. It implies that Sharia and benevolence impact indirectly on behavioral loyalty.

VI. Limitations and Further Research

The present study are aimed at proposing trust conceptualization, confirming the trust model and finding the effect of trust dimensions on consumer loyalty. As other studies, this study has some limitation. First, the population of this research is limited to Indonesian Islamic banking. It couldn't be generalized in other context. Second, the sample of this study does not identify the type of customers whether they are true loyal customers or spurious loyalty.

From the above limitation, some further researches might be suggested. First, it is suggested to enlarge the research population covering respondents from other countries. Second, It is advised to include the respondents of true loyalty only.

VII. References

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