

# Customer Satisfaction as a Mediator between Service Quality and Customer Loyalty: Evidence from Islamic Banks in Indonesia

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## ABSTRACT

This study aims to examine the influence of service quality on customer satisfaction and loyalty within the context of Islamic banking in Indonesia. While service quality is widely recognized as a critical factor in fostering long-term customer relationships, limited research has explored the roles of religiosity and cultural context in this sector. A quantitative approach was employed using a survey of Islamic bank customers in Indonesia, with data analyzed through Structural Equation Modeling (SEM). The results reveal that service quality has a positive and significant effect on customer satisfaction ( $\beta = 0.856$ ;  $p < 0.001$ ) and customer loyalty ( $\beta = 0.498$ ;  $p < 0.001$ ). Furthermore, the path from customer satisfaction to loyalty was statistically significant ( $\beta = 0.359$ ;  $p < 0.001$ ). An indirect effect of service quality on customer loyalty through satisfaction was also significant ( $\beta = 0.307$ ;  $p < 0.001$ ), confirming the mediating role of satisfaction. The findings underscore the importance for Islamic financial institutions to enhance service quality particularly reliability, responsiveness, and Sharia compliance to boost satisfaction and loyalty. Limitations include the use of a quantitative method that does not explore customer perceptions in depth and limited generalizability. Future studies should integrate qualitative approaches and consider cultural and religious values.

**Keywords:** Service quality, Customer satisfaction, Customer loyalty

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