

Objectives of Islamic banking, customer satisfaction and customer loyalty: empirical evidence from South Africa

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Abstract

Purpose – This study aims to explore the relationship between the objectives of Islamic banking, customer satisfaction and customer loyalty in the South African context. Diving deep, this study also explores the relationship between customer satisfaction and customer loyalty.

Design/methodology/approach – Purposive and snowball sampling techniques were used, resulting in 163 respondents participating in this study. The data was collected using an online survey and analysed using a structural equation model based on the partial least squares method.

Findings – The results indicate that the construct related to the objectives of Islamic banking influences both customer satisfaction and customer loyalty. In addition, customer satisfaction is also found to influence a customer's loyalty to the Islamic bank.

Originality/value – In South Africa, to the best of the authors' knowledge, this study is the first of its kind; thus, the results provide context-specific insights into the extant literature on Islamic banking for Muslims residing in a non-Muslim majority country.

Keywords Islamic banking, Sharia, Customer satisfaction, Customer loyalty

Paper type Research paper

1. Introduction

The Islamic finance industry exceeded US\$2.19tn, with a 6.9% anticipated growth rate in 2018 (IFSB, 2019). Islamic banks account for 72% of the total Islamic Financial Services Industry. Jurisdictions where detailed data is available show double-digit growth rate of assets (11 out of 22 jurisdictions), financing (nine out of 22 jurisdictions) and deposits (one out of 22 jurisdictions), while eight other jurisdictions showed a 2% improvement when compared to the prior year (IFSB, 2019). Despite its size and growth projections, Muslims



and non-Muslims have a poor understanding of Islamic banking (Hassan and Lewis, 2007; Shabbir and Rehman, 2019).

The unique characterisation and goal of Islamic banking encompass business offerings that are in harmony with Sharia, Islamic law (Khan, 2017; Maali *et al.*, 2006; Majeed and Abida Zainab, 2018; Pollard and Samers, 2007). Islamic banks offer services that cater to religious sensitivities, for example, honouring financial and moral obligations to God and stakeholders. However, they also offer the usual banking services, such as commercial and other banking services, to maximise profits in a manner that does not contradict Sharia (Farook and Shikoh, 2011; Henderson, 2012; Imam and Kpodar, 2013; Kahf, 1999; Schottmann, 2014).

Haniffa and Hudaib (2007) provide five traits that must be present in the Islamic bank to differentiate it from conventional banking. These are:

- (1) a philosophy underpinned by Islamic teachings;
- (2) interest-free banking;
- (3) only Shari'ah-compliant transactions are allowed;
- (4) a developmental and social focus; and
- (5) additional governance measures, such as the Sharia Supervisory Board.

This commitment to applying the Sharia cannot be violated, and its focus is on spiritual, socio-economic justice, and increased goodwill through a fair and balanced society, which is not a feature of conventional banking (Afroze, 2015; Chapra, 1986; Echchabi and Abd. Aziz, 2014).

Customers primarily select an Islamic bank as a service provider because their business model centres on Sharia compliance (Basheer *et al.*, 2018; Mbawuni and Nimako, 2017; Usman *et al.*, 2017). Muhamad and Alwi (2015) classify consumers of Islamic banking into five clusters, namely, the religious cluster (only Muslims), the religious and economic cluster (only Muslims), the economic cluster (Muslims and non-Muslims), the ethical cluster (non-Muslims) and the ethical and economic cluster (non-Muslims). These clusters complement those provided by Amin *et al.* (2009) as the authors categorise the reasons for customers engaging with an Islamic bank based on religion, service quality and pricing of products.

The literature indicates that service quality is a primary reason customers are satisfied with their Islamic banks (Iqbal *et al.*, 2018; Saqib *et al.*, 2016). Customers place greater importance on services offered of a conventional nature rather than if the Islamic bank was Shari'ah-compliant (Ullah and Lee, 2012). Other studies conclude that Sharia compliance is a crucial factor in creating an emotional attachment, leading to increased customer loyalty (Wahyuni and Fitriani, 2017). On the contrary, some findings indicate no relationship between customer satisfaction and loyalty (Estiri *et al.*, 2011).

In South Africa, Islamic banking is a growing market (Muhammad, 2019). The South African Government has also developed this sector by amending tax laws to ensure that parity exists in Islamic and conventional transactions (SAICA, 2015). The former Finance Minister, Pravin Gordhan, is quoted as follows: "The development of Islamic finance in South Africa is critical to National Treasury's strategy to position South Africa as a gateway into Africa" (Cover, 2011).

Research on Islamic banking in the South African context remains relatively uncharted territory despite these advancements (Kholvadia, 2017; Mahlaba, 2021; Moosa *et al.*, 2021). Moosa *et al.* (2021) report that most of the research on Islamic banking conducted in South Africa focuses on either the viability of the industry or the perceptions of customers. For example, the research on customer perceptions conducted by Els *et al.* (2017) and

[Roberts-Lombard \(2020\)](#) focused on customers' commitment and its influence on factors such as satisfaction and loyalty. However, little consideration has been given to the Sharia compliance objectives of the Islamic bank and its impact on customer satisfaction and loyalty within the South African context. Muslims in South Africa are aware of Islamic banking. However, their use rate is low as considerations about service quality are given preference over religious motivations when deciding to patronise a bank ([Saini et al., 2011](#)). Alternatively, [Ackermann and Jacobs \(2008\)](#) indicate that Islamic banks in South Africa need to understand their customer's need for Shari'ah-compliant banking as they use Islamic banking for religious reasons. To this extent, the role of Sharia compliance and its influence on customers is not conclusive for Islamic banks in South Africa.

Furthermore, previous research conducted in Muslim majority countries such as Kuwait and Indonesia has explored the relationships between an Islamic bank's objectives: to provide banking based on Sharia principles, with customer satisfaction and customer loyalty ([Al-Ansari et al., 2015](#); [Al-Salem and Mostafa, 2019](#); [Suhartanto et al., 2020](#)). As previously stated in the preceding paragraph, little consideration has been given to these relational constructs in the emerging South African Islamic banking context. To this end, this study aims to explore the relationships between the objectives of Islamic banking, customer satisfaction and customer loyalty for customers of Islamic banks located in South Africa.

The study makes a theoretical contribution through the development, empirical testing and interpretation of results arising from the relationships identified between the objectives of Islamic banking, customer satisfaction and customer loyalty in South Africa as the country is situated within an emerging African market. Furthermore, the study makes a theoretical contribution as it builds on the work by [Els et al. \(2017\)](#) and [Roberts-Lombard \(2020\)](#) in that an additional factor, that being the objectives of Islamic banking, is assessed concerning its relationship with satisfaction and loyalty in addition to evaluating the relationship between satisfaction and loyalty. As such, this study narrows in on the objectives of Islamic banking as a relationship marketing outcome in South Africa. Moreover, this study also makes a practical contribution. The results potentially enrich those charged with governance by providing a deeper understanding of the relationship between the objectives of Islamic banking, which is rooted in the Sharia, and how it influences customer satisfaction and customer loyalty.

The rest of the manuscript is organised as follows. Section 2 discusses the literature relevant to the constructs being examined in the study. Section 3 discusses the research methodology. Section 4 presents the results, and Section 5 discusses the results. Section 6 provides managerial implications, and Section 7 presents the concluding observations.

2. Literature review

2.1 Objectives of Islamic banking

Islamic banking is well-defined as consistent with Sharia ([Kettell, 2011](#); [Oshodi, 2014](#); [Zaman, 2015](#)). Others have defined it as banking based on principles of Islamic economics ([Aburime and Alio, 2009](#); [Alam et al., 2017](#)). However, some also conceive that in addition to the Islamic bank having to comply with Sharia, the Islamic bank is also tasked with engaging in corporate social responsibility to promote justice and well-being in society ([Nathan and Pierce, 2009](#); [Siddique and Iqbal, 2014](#)). Muslims see banking according to Sharia principles as worship due to their compliance with God's laws regarding business activities ([Jamaldeen, 2012](#); [Maulan et al., 2016](#)).

Economics practised within an Islamic framework reflects Islam's religious, moral and ethical teachings and is intended to prevent injustice and exploitation in business ([Aldohni,](#)

2014; Daly and Frikha, 2016). This framework is based on principles that distinguish the Islamic economic system from the Western one (Abbasi *et al.*, 1989). In general, the scope for economic activity is broad, provided the principles underlying Islamic economics are not violated (Lall, 2013). These principles include:

- interest-free transactions;
- partnership based on profit and loss sharing;
- the removal of gharar (uncertainty) in economic activity;
- transactions must be linked to the real economy;
- only permissible industries allowed; and
- charity and social development (Ariff, 2014; Kettell, 2010; Tlemsani, 2010; Visser, 2009; Warde, 2010).

Compliance with these economic principles supports the Islamic bank to meet its primary objective of providing banking based on Sharia principles (Alam *et al.*, 2017; Siddique and Iqbal, 2014).

2.2 History of Islamic banking in South Africa

Muslims in South Africa have established Islamic banking within the broader financial services industry after almost 300 years in the country. The prototype of Islamic banking in South Africa can be traced back to as early as 1975, owing to the incorporation of Jaame Limited, a financial company offering Sharī'ah-compliant products and services. Jaame Limited suffered from some governance issues, such as making inexperienced business decisions including displaying limited professionalism (Vawda, 2009). Islamic Bank and Albaraka Bank are considered the first official Islamic banks to enter the South African market after each bank was awarded banking licenses in 1989. Islamic Bank enjoyed a brief period of success in the 1990s; however, mismanagement caused the banks failure (Vawda, 2009). Albaraka Bank is currently the only dedicated Islamic bank in South Africa, in addition to four conventional banks that have also established Islamic banking windows for the South African public (Vawda, 2009).

2.3 Customer satisfaction

The literature indicates that customers are mostly satisfied with the products and services offered by their Islamic banks (Amin and Isa, 2008; Wahla *et al.*, 2018). Some studies also suggest that customers are satisfied with the product portfolio, *ijarah* (leasing) facilities, communication, service costs and bank reputation (Abdullah and Dusuki, 2006; Estiri *et al.*, 2011; Wahla *et al.*, 2018). However, in some cases, customers were not satisfied with the Islamic bank's limited branch networks and operating times (Naser *et al.*, 1999). In addition, improvements in service delivery, particularly from staff, required immediate attention (Khan *et al.*, 2007).

In Saudi Arabia, Lone *et al.* (2017) conducted a study to examine customer satisfaction levels for Islamic and conventional banks. They found no differences in satisfaction levels between the two groups concluding that Islamic banks needed to be competitive, improve their service delivery and provide transparent information regarding their business operations. In stark contrast, Aldeehani (2018) found that in Kuwait, customers of the Islamic bank are more satisfied than customers of conventional banks. Furthermore, they found a significant positive bilateral causal relationship between client satisfaction and banking efficiency.

[Amin et al. \(2013\)](#) analysed the relationship between customer satisfaction at Islamic banks with image, trust and customer loyalty for Muslim and non-Muslim customers. Their findings revealed that satisfaction and image, image and trust and trust and customer loyalty were related to each other, but significant differences existed between Muslim and non-Muslim customers. Non-Muslim customers emphasise satisfaction and image, and their loyalty to their Islamic bank increases if they are satisfied. On the other hand, it was found that if Muslim customers have a positive image of their Islamic bank, they are more willing to endure some levels of dissatisfaction.

2.4 Customer loyalty

[Hoq et al. \(2010\)](#) examined the factors that increase a customer's loyalty to an Islamic bank in the Malaysian context. They found that factors such as trust, satisfaction and image of the Islamic bank significantly enhanced customer loyalty. In another study, it was found that religiosity directly affects customer loyalty; however, trust and image mediated this relationship ([Suhartanto et al., 2018](#)). Other studies explain that in addition to trust and satisfaction, factors such as costs, perception, philosophy and commitment also influence a customer's loyalty ([Hassan et al., 2012](#)).

[Fauzi and Suryani \(2019\)](#) sought to measure the effect of service quality on factors such as satisfaction, trust and loyalty of Indonesian customers who use Islamic banking services. They found that customer satisfaction and customer loyalty improve if an Islamic bank is reliable and trustworthy. These findings are aligned with the results obtained by [Kashif et al. \(2015\)](#). Further, [Tabrani et al. \(2018\)](#) found that no relationship exists between trust and customer loyalty; however, commitment and customer intimacy had a mediating effect between trust and loyalty.

[Estiri et al. \(2011\)](#) conclude that customers who are satisfied with the service offerings by their Islamic bank are not necessarily loyal. They state that improving communication techniques using improved marketing strategies will enhance customer loyalty. The study by [Aziz \(2018\)](#) found that customer loyalty and communication are mediated by the factors that influence the co-production of services. In addition, no significant relationship was found between a customer's competence and co-production of services, which implies that a customer did not need to be an expert in the principles of Islamic banking to be loyal to an Islamic bank.

Having an awareness that a brand is *halaal* (lawful) rather than just being brand loyal was found to influence customer loyalty significantly. Thus, enhancing the awareness of *the* *halaal* brand was found to strengthen the resilience and competitiveness of the Islamic banking industry in the long-term because of enhanced customer loyalty ([Maulan, 2016](#)). [Wahyuni and Fitriani \(2017\)](#) support this finding and conclude that brands with an aura of religiosity create an emotional attachment and thus improve customer brand loyalty for Islamic banks.

[Ireland \(2018\)](#) sought to determine the extent of customer loyalty shown towards Islamic banks in the UAE. The findings revealed that even though customers may be more inclined to use Islamic banks, if conventional banks offered competitive or more appealing rates, they would opt to use the services of the conventional banks. Thus, the pricing of services offered by Islamic banks can affect a customer's loyalty as conventional banks compete with Islamic banks.

2.5 Hypotheses development

Sharia compliance is the distinguishing feature of Islamic banking. However, some studies have reported that stakeholders hold differing views on the Sharia objectives of Islamic banks ([Ahmed, 2022](#); [Ahmed et al., 2017](#)). Researchers posit that the objectives for an Islamic bank should include, interest-free banking, the provision of Shari'ah-compliant products, the promotion of Islamic values and the fulfilment of social responsibility towards society ([Ahmed et al., 2021a](#); [Alam et al., 2017](#); [Dusuki, 2008](#); [Mohammad and Shahwan, 2013](#); [Siddique and Iqbal, 2014](#)). What is critical

though, is that the Islamic bank honours its Sharia objectives to improve corporate image, success and market share (Ahmed *et al.*, 2017). To this extent, several studies have looked at the relationship between Sharia compliance and customer satisfaction and/or customer loyalty. For instance, studies have found that Sharia compliance has a significant and positive influence on customer satisfaction (Ahmed *et al.*, 2021b; Anouze *et al.*, 2019; Kartika *et al.*, 2020; Usman *et al.*, 2021). Sharia compliance was also essential in increasing customer loyalty (Ghamry and Shamma, 2021). It was found that as the religiosity of a customer increases, customers show more loyalty towards the Islamic bank (Suhartanto, 2019). Other studies report that Sharia compliance as a component of service quality and disclosures about Sharia performance increases both customer satisfaction and customer loyalty (Asnawi *et al.*, 2020; El-Halaby *et al.*, 2018). However, Tegambwage and Kasoga (2022) advice that more research is needed to evaluate religiosity as an antecedent of customer loyalty for Islamic banks. In South Africa, Kholvadia (2017) reports that Islamic banks are Sharī'ah-compliant despite replicating conventional banking. Taking into account the foregoing discussion, it can be assumed that Islamic banks who pursue Sharī'ah-compliant objectives may increase a customer's satisfaction and loyalty, which is investigated in the following hypotheses:

H1. The objectives of Islamic banking are positively related to customer satisfaction.

H2. The objectives of Islamic banking are positively related to customer loyalty.

Customer satisfaction has been studied in great detail in the marketing literature due to (among others reasons), the role it plays in explaining customer loyalty (Albaity and Rahman, 2021). Interestingly, the relationship between satisfaction and loyalty is the most researched area in bank marketing (Kumar *et al.*, 2022). Bank operators strive to enhance the satisfaction of customers to acquire their loyalty (Kumar *et al.*, 2022). This has not escaped the attention of researchers focused on Islamic banking. For instance, several studies report that satisfaction positively correlates with loyalty intentions for customers at the Islamic bank (Lubis *et al.*, 2021; Nasuka *et al.*, 2021; Tegambwage and Kasoga, 2022). Nonetheless, research is needed to advance the understanding of Islamic banks in different environments, particularly the role that different cultural features play on the relationship between satisfaction and loyalty (Dandis *et al.*, 2021). Based on the observations from the preceding discussion, satisfaction is expected to influence customer loyalty, thus the following hypothesis is formulated:

H3. Customer satisfaction is positively related to customer loyalty.

The discussion of the above-mentioned literature lends support for the conceptual model, as shown in Figure 1, that attempts to examine the stated hypotheses in the South African context.

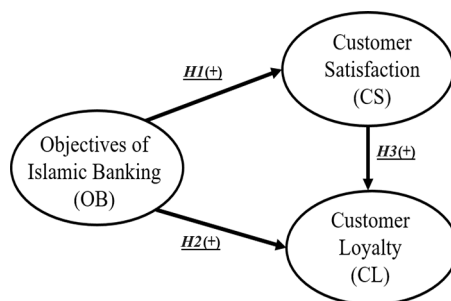


Figure 1.
Conceptual model

3. Methodology

3.1 Research design and sample

The research design is based on an exploratory deductive approach to assess the hypothesised relationships as shown in the conceptual model. The research is quantitative as it uses many statistical techniques to analyse and interpret the data collected via a cross-sectional online survey.

The target population for the study consisted of customers at an Islamic bank who are Muslim and located within South Africa. Non-probability sampling techniques, particularly purposive and snowball sampling, were used to identify the respondents, as a sampling frame could not be produced. During June and August 2020, the research was advertised on three national Islamic radio stations in South Africa and advertised among people within the researcher's networks. A total of 173 respondents located within South Africa participated in the study. A final sample of 163 valid responses was used in the study as 10 respondents indicated that they were not customers of any Islamic bank located in South Africa.

3.2 Research instrument

A survey approach using an online questionnaire was used to collect the data used in this study. The questionnaire collected data from respondents related to their socio-demographic profile, including data related to each construct covered in this study. The questions for each construct, as measured by a four-point Likert scale ranging from Strongly Disagree to Strongly Agree, were developed after a systematic review of the literature. A total of 12 statements were adapted from existing studies (Table 1) to measure the three constructs: objectives of Islamic banking, customer satisfaction and customer loyalty. Four statements measure the objectives of Islamic banking (OB), which refers to the Islamic bank providing banking services based on the Sharia. Four statements measure customer satisfaction (CS) which refers to customers' satisfaction levels towards the Islamic bank, and four statements measure customer loyalty (CL) which refers to how loyal customers are to the Islamic bank.

3.3 Data analysis

The relationships as hypothesised in the study were analysed based on structural equation modelling (SEM) using the partial least squares (PLS) method. WarpPLS (Version 7.0) by ScriptWarp Systems was the SEM software used to conduct the analysis, which consisted of two parts. The first part of the analysis considered the measurement model for reliability and validity. After that, the second part of the analysis considered the results related to the relationships as shown in the structural model. The results obtained from the model are presented and discussed in the subsequent sections.

4. Results

4.1 Demographic details of respondents

Table 2 presents the demographic data for respondents in the study and includes the age, gender, education, employment status, years of employment, marital status and monthly income. Most respondents fell between 18 to 40 years (55%) and 41 to 55 years (37%). There was an equal representation (50%) of both males and females. Respondents were deemed to be educated as 73% obtained a tertiary education while 21% completed schooling up to Grade 12. In terms of employment, 92% indicated that they were used. In addition, 77% of respondents indicated that they were married, and

Table 1.
Statements to
measure the
constructs

Construct	Statements	Source
Objectives of Islamic banking (OB)	(1) Offer Sharī'ah-compliant products	Dusuki (2005), Shifa, (2012)
	(2) Offer banking without the charging of interest	
	(3) Offer banking that promotes Islamic values at all levels	
	(4) Offer banking to assist with social welfare within the community	
Customer satisfaction (CS)	(1) The service quality is excellent	Amin and Isa, (2008), Fauzi and Suryani (2019)
	(2) I am satisfied with the products and services	
	(3) I am satisfied with the financial services advice	
	(4) I am satisfied that the bank takes its duties towards social responsibility seriously	
Customer loyalty (CL)	(1) I say positive things about the Islamic bank to others	Hoq <i>et al.</i> (2010)
	(2) I recommend family and friends to transact with the Islamic bank	
	(3) I recommend Islamic banks to someone who seeks advice	
	(4) I will continue banking with the Islamic bank	

finally, respondents earned in the range R 5,001–R 20,000 (38%) and R 20,001 and above (53%).

4.2 The measurement model

The results related to the reliability and validity of the measurement model are discussed in this section. Reliability was evaluated based on Cronbach's alpha and composite reliability measures. Table 3 shows that the value of each construct exceeded the recommended threshold of 0.70 for both measures, thus establishing the reliability of the measurement model (Hair *et al.*, 2017). Convergent validity was considered according to the average variance extracted (AVE) and outer loadings for each item to determine if they converge on their construct. Table 3 shows that convergent validity has been established for the measurement model. The AVE exceeded the threshold of 0.50, and the loadings for each item exceeded 0.70 and were significant at the $P < 0.001$ level (Hair *et al.*, 2017; Hamid *et al.*, 2017).

Discriminant validity was also assessed according to the Fornell/Larcker criterion and the heterotrait-monotrait ratio (HTMT) to determine how distinct a construct is from other constructs. Table 4 shows that discriminant validity according to the Fornell/Larcker criterion has been established. The square root of the AVE for each construct was higher than the other constructs (Hair *et al.*, 2017). Furthermore, the HTMT ratio also established discriminant validity between the constructs in the measurement model, as all values between the constructs were less than the 0.85 thresholds (Henseler *et al.*, 2015). As the reliability and validity of the measurement model were established, the structural model results are presented in the next section.

JIMA 14,9	Variable	Frequency	(%)
2196	<i>Age</i>		
	18 to 40 years	89	55
	41 to 55 years	61	37
	56 and older	13	8
	<i>Gender</i>		
	Male	81	50
	Female	82	50
	<i>Education</i>		
	No formal education	9	6
	Grade 12	35	21
	Tertiary education	119	73
	<i>Employment status</i>		
	Employed	150	92
	Unemployed	13	8
	<i>Marital status</i>		
	Single	37	23
	Married	126	77
	<i>Monthly income</i>		
	Less than R 5,000	15	9
	R 5,001–R 20,000	62	38
	R 20,001 and above	86	53

Table 2.
Demographic profile
of respondents

4.3 The structural model

The results of the relationships as hypothesised in the structural model are shown in [Figure 2](#) and [Table 5](#). All of the hypothesised relationships were supported as they were found to be positive and significant at the $P > 0.01$ level.

Regarding the results from the hypothesised relationships, the objectives of Islamic banking were found to have a significant positive relationship ($\beta = 0.22$; $P < 0.01$) with customer satisfaction. The objectives of Islamic banking were also found to have a significant positive relationship ($\beta = 0.21$; $P < 0.01$) with customer loyalty. Customer satisfaction was also found to positively influence customer loyalty ($\beta = 0.57$; $P < 0.01$). These results suggest that Islamic banks that pursue objectives aligned with the Sharia can directly impact the customers in terms of their satisfaction as well as loyalty. Furthermore, the results suggest that satisfied customers have increased loyalty to their Islamic bank.

[Table 6](#) presents four model fit indices to assess how well the hypothesised model fits the data. The average path coefficient (APC) and average R-squared (ARS) indicate that there were no problems with the structural model as the APC ($\beta = 0.332$, $P < 0.001$) and ARS ($\beta = 0.229$, $P < 0.001$) were both found to be statistically significant ([Kock, 2020](#)). The average full collinearity variance inflation factor (AFVIF) and Tenenhaus Goodness-of-Fit (GOF) index indicate no problems with the measurement model. The AFVIF of 1.036 is below 3.3, therefore, eliminating problems with multicollinearity, and the GOF of 0.425 indicates that the model has high explanatory power as it is larger than 0.36 ([Kock, 2020](#)).

Table 3.
Reliability and convergent validity of the measurement model

Construct and statements	Reliability		Convergent validity	
	Cronbach's alpha	Composite reliability	AVE	Loading
<i>Objectives of Islamic banking</i>	0.906	0.935	0.782	
OB1: Offer Sharī'ah-compliant products				(0.901)
OB2: Offer banking without the charging of interest				(0.940)
OB3: Offer banking that promotes Islamic values at all levels				(0.905)
OB4: Offer banking to assist with social welfare within the community				(0.784)
<i>Customer satisfaction</i>	0.891	0.925	0.756	
CS1: The service quality is excellent				(0.791)
CS2: I am satisfied with the products and services				(0.896)
CS3: I am satisfied with the financial services advice				(0.906)
CS4: I am satisfied that the bank takes its duty towards social responsibility seriously				(0.880)
<i>Customer loyalty</i>	0.930	0.951	0.828	
CL1: I say positive things about the Islamic bank to others				(0.872)
CL2: I recommend family and friends to transact with the Islamic bank				(0.939)
CL3: I recommend Islamic banks to someone who seeks advice				(0.950)
CL4: I continue banking with the Islamic bank				(0.878)

Construct	Fornell/Larcker criterion			Heterotrait–Monotrait Ratio		
	OB	CS	CL	OB	CS	CL
OB	(0.885)	(0.192)	0.297			
CS	0.192	(0.869)	0.583	0.218		
CL	0.297	0.583	(0.910)	0.323	0.646	

Table 4.
Discriminant validity of the measurement model

Notes: OB: objectives of Islamic banking; CS: customer satisfaction; CL: customer loyalty, Significance of the square root of the AVE as shown on the diagonal for each construct was higher than the other constructs

5. Discussion

The results arising from this study provide both practical and theoretical contributions. In so far as the practical contributions are concerned, this study provides valuable insights to those charged with governance at Islamic banks in understanding the importance of aligning the core objectives of the Islamic bank with the tenets of the Sharia, as this plays a significant role in ensuring that customers are both satisfied and loyal. The theoretical contribution relates to the development, empirical testing and interpretation of results related to the recommended model in the study. The model validates the relationships between the objectives of Islamic banking with customer satisfaction and customer loyalty, including the relationship between customer satisfaction and customer loyalty in an emerging South African Islamic banking market.

Figure 2.
Structural model

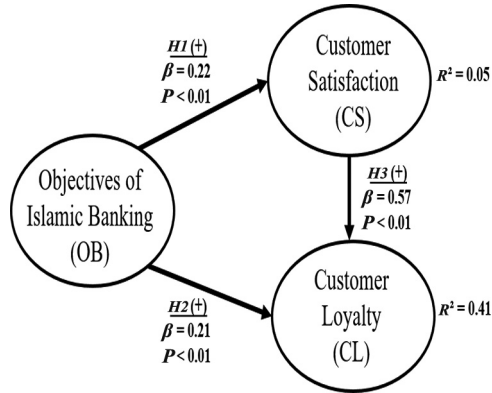


Table 5.
Results from the
hypothesised
relationships

Hypothesised link	Path coefficient	Significance	Supported
H1: OB → CS	$\beta = 0.22$	$P < 0.01^*$	Yes
H2: OB → CL	$\beta = 0.21$	$P < 0.01^*$	Yes
H3: CS → CL	$\beta = 0.57$	$P < 0.01^*$	Yes

Note: *Significant at $P \leq 0.05$

Table 6.
Model fit indices

Fit index	Acceptance criteria	Value
APC	$P < 0.05$	0.332; $P < 0.001$
ARS	$P < 0.05$	0.229; $P < 0.001$
AFVIF	acceptable if ≤ 5 , ideally ≤ 3.3	1.036
GoF	small $> = 0.1$, medium $> = 0.25$, large $> = 0.36$	0.425

When considering the relationship between the objectives of Islamic banking and customers' satisfaction with the Islamic bank, the results indicate that a significant positive relationship ($\beta = 0.22$; $P < 0.01$) exists between the two constructs. This finding indicates that if the objectives of an Islamic bank align with the requirements of the Sharia, it increases the chances of Muslim customers being satisfied. This finding adds one more dimension to the factors contributing to customer satisfaction, which includes, among other things, the products and services offered, efficiency and image of the Islamic bank (Aldeehani, 2018; Amin *et al.*, 2013; Khan *et al.*, 2007). A positive and significant relationship ($\beta = 0.21$; $P < 0.01$) was also found between the objectives of Islamic banking and customer loyalty. The result indicates that Muslim customers are loyal to the Islamic bank if the Islamic bank demonstrates its compliance with the Sharia. This result also builds on the work of Ahmed *et al.* (2021b) as customer loyalty was also found to be influenced by the objectives of the Islamic bank. Furthermore, these results also support Suhartanto's (2019) and Jamaldeen's (2012) assertion that Muslims see compliance with Islamic economic principles as an act of

worship. In fact, in the context of the Middle Eastern tourism industry, religiosity from an Islamic standpoint was found to have a moderating effect on tourist satisfaction and destination loyalty (Boon Liat *et al.*, 2020). Therefore, if the objectives of the Islamic bank align with the Sharia, it increases both a customer's satisfaction and loyalty towards the Islamic bank, as the relationship is mutually beneficial.

These results support the argument that pursuing objectives that align with the Sharia does influence the satisfaction and loyalty of Islamic bank customers in the South African Islamic banking market. In addition, as market research on Islamic banking in South Africa is new and limited (Roberts-Lombard, 2020), these results add to and provide insight into customer perceptions of the constructs studied. Moreover, the results contribute to marketing literature, as the importance of Sharia compliance and its integration into the overall objectives of the Islamic bank was found to be an antecedent to customer satisfaction and customer loyalty.

Additionally, the recommended model also validates the relationship between customer satisfaction and customer loyalty in an emerging South African Islamic banking market. The relationship between customer satisfaction and customer loyalty was positive and significant ($\beta = 0.57$; $P < 0.01$). As customer satisfaction increases, their loyalty towards the Islamic bank also increases. One way of achieving this is to ensure that the Islamic bank conducts its business in compliance with the Sharia, as demonstrated in the results for the hypothesised relationships discussed in the previous paragraphs. The results in previous research provide support for the relationship between satisfaction and loyalty (Fauzi and Suryani, 2019; Hoq *et al.*, 2010). For example, Abror *et al.* (2020) report that customer satisfaction is an antecedent of customer loyalty. On the contrary, Ireland (2018) reports that if conventional banks offered pricing that is more favourable than that offered by the Islamic bank, this decreased a customer's loyalty.

6. Managerial implications

Based on the results of the study, those charged with governance in an emerging Islamic banking market should line up the objectives pursued by the Islamic bank with the Sharia, as this aspect influences a customer's satisfaction and loyalty. It is recommended that the Islamic banks develop a charter that sets out their objectives and how it aligns with the requirements of the Sharia. The charter should be available on the website of the Islamic bank and on any other relevant media platform. The Islamic bank should also provide assurance in their annual report about their Sharia compliance from members of the Sharia Supervisory Board, who are well regarded and respected within the South African Islamic banking community. Also, the Islamic bank should create experiences for customers that visibly demonstrates compliance with the Sharia. This should include ensuring that all products and services provided are branded as being Shari'ah-compliant and that the charging of interest is prohibited. The Islamic banks should also actively promote Islamic values so that customers are constantly reminded of the objectives pursued by them. Furthermore, the Islamic banks should actively engage in social welfare schemes, and should market these schemes as the fulfilment of their duty towards complying with the Sharia. They should also actively demonstrate their critical initiatives to customers that they have undertaken and how these comply with the Sharia as a strategy to enhance the satisfaction and loyalty of customers.

Moreover, the results also indicate that focusing on increasing a customer's satisfaction also enhances customers' loyalty to the Islamic bank. Customer satisfaction could be increased by ensuring that the Islamic bank focuses on objectives that line up with the Sharia, as shown in the result of the study. Those charged with governance should also

understand other factors contributing to customer satisfaction at an individual level, such as quality of services delivered, product expectations and social welfare expectations. This will ensure that attention is given to areas that produce the maximum positive experiences, leading to satisfied customers. Furthermore, feedback from customers should be sought and welcomed on any aspect related to the Islamic bank's operations or products and services. After that, timeous remedial action should be implemented to address customer complaints or concerns. This will demonstrate an attitude of care towards customer needs and expectations, strengthening customer satisfaction.

7. Conclusion

Within the South African context, this study explored the relationship between the objectives of Islamic banking on customer satisfaction and customer loyalty. The study also explored the relationship between customer satisfaction and customer loyalty. The results of the study have implications for both theoretical and practical contributions. In terms of the theoretical contribution, the study finds that the construct related to the objectives of Islamic banking is a positive and significant contributor to both customer satisfaction and customer loyalty. In addition, customer satisfaction is also found to influence a customer's loyalty to the Islamic bank. These results provide empirical support for the theoretical underpinnings of Islamic banking, particularly in an emerging South African context where there is a paucity of academic literature.

The study also provides valuable guidance to those charged with governance on Sharia compliance's role in increasing a customer's satisfaction and loyalty at Islamic banks located within an emergent South African market. These results can help by showing the importance of aligning the objectives of the Islamic bank with the tenets of the Sharia when drafting charters and policies due to the influence Sharia compliance has on satisfaction and loyalty. Additionally, the results show that customer satisfaction contributes to customer loyalty; thus, emphasis should also be given to increasing customer satisfaction levels due to its effect on customer loyalty. Accordingly, the overall results of the study are expected to inform those charged with governance to protect their affairs by demonstrating the importance of Sharia compliance at the Islamic bank and its beneficial outcomes for customer satisfaction and customer loyalty.

The present study is not without limitations. Firstly, non-probability sampling techniques are used; therefore, the results may not be generalised to the population; further research should incorporate probability-sampling techniques. Only Muslim customers were included in the study; consequently, future studies should include other stakeholder groups of the Islamic banks, including comparing results between each group. As only a limited number of constructs were considered in this study, further research should be conducted to determine what other factors contribute to the satisfaction and loyalty of Islamic bank customers in South Africa. As this research is purely quantitative, studies of a qualitative nature should also be undertaken to probe and compare the motivations of those charged with governance at Islamic banks or conventional banks offering Islamic banking to ensure Sharia compliance. Finally, studies should be conducted to develop models relevant to the South African context to develop the Islamic banking industry.

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