

# **ANALYSIS ON THE EFFECT OF EDUCATING CUSTOMER, SERVICE FAIRNESS, CUSTOMER SATISFACTION AND LOYALTY: A STUDY ON ISLAMIC BANK IN INDONESIA**

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## **ABSTRACT**

The low level of market share of Islamic banks continues in Indonesia despite having a large potential customer base as the most populated Muslim country in the world. . This study analyses two factors related to marketing of Islamic banking in Indonesia, namely educating customers and service fairness. This research was conducted in Jakarta with a sample of 200 people. This study employs Structural Equation Model (SEM) using AMOS software. The study found that service quality has a significant and positive impact on customer satisfaction but does not have a significant impact on customer loyalty. The study also found that educating the customer has a negative significant impact on customer satisfaction, which means that as more customers learn about Islamic banking, the higher their dissatisfaction. Furthermore, educating the customer also has no significant effect on customer loyalty. This study shows that Islamic banks in Indonesia have not been able to build the loyalty of its customers.. Based on the findings of this study, it is recommended that Islamic banks in Indonesia should re-evaluate and improve their marketing strategies primarily in terms of educating their customers.

Keywords: educating customer, service fairness, satisfaction, loyalty, Islamic banking.

## **Introduction**

Islamic bank is a bank which operates based on the principles of Islamic law. Islamic bank is a bank that is expected to provide Shariah-compliant alternative for Muslims to get out of the existing interest-based system. The Islamic banking institution is a unique concept., Razak and Ismail (2011) assert that Islamic banking which promotes fairness is different from other banks In addition, Rahman (2003) argues that Islamic banking is different because these banks not only promote profit and product development, but emphasizes more on social fairness, support the development of society, and participate in strengthening the faith, life, intellect, progeny, and wealth.

In Indonesia, it is rather unfortunate that Islamic bank is still below the expected level of market share eventough Islamic banks have been operating since 1991. This is quite alarmingsinceIndonesia is one of the most populous Muslim country in the world with a percentage of Muslim population ofmore than 80%. The actual phenomenon mayoccur due to several reasons. However, it is largely due to the Islamic banks' failure to reachthe entire community in penetrating the market. The sluggish number in market share may be due to customers who are loyal to Islamic banksThis shows that Islamic banks have not been able to manage customers well to maintain their loyalty. This can be seen in Table 1.

Table 1: The growth of Islamic Bank's Share

No	Periode	Growth of Market Share (%)	No	Periode	Growth of Market Share (%)
1	Jul-14	0,175	13	Jul-15	-0,324
2	Ags-2014	-0,101	14	Ags-2015	0,623
3	Sep-14	2,105	15	Sep-15	2,864
4	Okt-14	1,106	16	Okt-15	-1,973
5	Nov-14	0,600	17	Nov-15	0,806
6	Des-14	3,976	18	Des-15	6,254
7	Jan-15	-3,258	19	Jan-16	-2,978
8	Feb-15	0,512	20	Feb-16	1,040
9	Mar-15	1,336	21	Mar-16	2,528
10	Apr-15	0,415	22	Apr-16	-0,804
11	Mei-15	1,086	23	Mei-16	0,866
12	Jun-15	0,403			

Source: Indonesia Financial Services Authority (June)

Based on Table 1, the last two years in 2014 until 2015 the tendency of the market share of Islamic banking found to be constant and tend to decline. In the Table 1 show negative value of growth of market share which implies a decreasing level of Islamic banking market share represented those customers who are not loyal to Islamic banking. Furthermore, Islamic bank also face a decrease in public attitudes as reflected in Table 2 below.

Table 2: Performance of Islamic Banks, 2014-2015

Year	Month	Third Party Funds (Billion IDR)	Growth of Third Party Funds	Financing of Profit Loss Sharing (Billion IDR)	Growth of Financing
2014	June	150.530	-	47.424	-
	July	155.704	3,44%	48.517	2,30%
	August	156.870	0,75%	48.598	0,17%
	September	157.332	0,29%	49.542	1,94%

	Oct	163.090	3,66%	49.232	-0,63%
	Nov	165.050	1,20%	50.221	2,01%
	Dec	170.723	3,44%	49.225	-1,98%
2015	Jan	164.291	-3,77%	49.091	-0,27%
	Feb	163.159	-0,69%	49.177	0,18%
	Mar	165.034	1,15%	49.641	0,94%
	Apr	164.400	-0,38%	50.359	1,45%
	May	164.375	-0,02%	50.861	1,00%
	Jun	162.817	-0,95%	53.039	4,28%
	Jul	165.378	1,57%	52.451	-1,11%
	Ags	164.561	-0,49%	52.857	0,77%
	Sep	166.433	1,14%	54.072	2,30%
	Oct	165.857	-0,35%	53.759	-0,58%
	Nov	167.150	0,78%	54.044	0,53%
	Dec	174.895	4,63%	55.886	3,41%
2016	Jan	173.230	-0,95%	54.446	-2,58%
	Feb	173.834	0,35%	54.963	0,95%
	Mar	174.779	0,54%	56.271	2,38%
	Apr	174.135	-0,37%	56.523	0,45%
	May	174.354	0,13%	57.531	1,78%

Source: Indonesia Financial Services Authority

Table 2 shows a declining trend in the growth of third party funds in Islamic banking with a slope of -0.05 growth. In other words, it indicates a declining number of customers who are willing to save in Islamic banks. This is further exacerbated by a negative growth, which suggests a withdrawal of a sizeable number of customers of Islamic banks. The decline in customer's interest in Islamic banks imply that Islamic banks have not been able to gain the trust of the public. Similarly, a negative growth in deposits also showed that Islamic banks have not been able to satisfy its customers. This negative growth also indicates that customers of Islamic banks are not loyal to Islamic banks. As for financing component, a negative trend of -0.02, also shows a declining trend in the number of consumers who borrow from Islamic banks. Both of these may certainly become very problematic in the long run.

In a study conducted by Haryati (2007) regarding perceptions of Islamic banks in Indonesia shows that there exists a shortage of trust and customer loyalty to Islamic banks. However, this study also found one significant factor in encouraging trust and loyalty, namely through enhanced customer service and increase knowledge of customer. In some studies, lack of loyalty and satisfaction in Islamic banking is caused by

various factors. One factor that constantly arises about Islamic banking is the dissemination of information on Islamic banking and its products. Yunus (2004) argued that a lack of customer interest in Islamic banking is due to lack of information and knowledge. Similarly, other research by Yanto (2016) also found that Islamic banking is still lacking in terms of socialization on the banking products and the Islamic banking system.. This seems to be a problem that continues to linger with Islamic banking in the long term. Therefore, this study attempts to evaluate how Islamic banks have been marketing their products and services.. This evaluation will be carried out by two factors based on the above mentioned problems, namely consumer education and service fairness in Islamic banking.

It should be noted that customer education is very important for understanding customer knowledge about a product to enable the company to influence the attitudes and behaviour of the customer. It will also affect customer acceptance of a particular product. If the information is incomplete or unclear, customer will be less interested in the product due to the risk of not having a complete information the product. The other factor is fairness which will also encourage customers to keep in touch and continue to be loyal to the company since the customers feel they are fairly treated. . Fair treatment is not just about the price or cost, but also related to the treatment and care they receive when interacting with the company. Some problem usually mentions by the customer about Islamic banking service fairness especially the procedure too slow or taking too much time. Another problem about service and fairness faced by Islamic banks in Indonesia is whether the products are truly halal This happened especially when the customers perceive the product of Islamic banking to be similar to non-Islamic bank. Thus, this study will look at how these two factors, namely educating the customer and service, fairness that can provide satisfaction and build customer loyalty to the Islamic banks.

Based on the above discussion, the research questions of this study can be formulated as follows:

1. Does educating customer affect customer satisfaction?
2. Does service fairness affect customer satisfaction?
3. Does educating customer affect customer loyalty?
4. Does Service fairness would affect customer loyalty?
5. Do educating the customer affect loyalty through customer satisfaction?
6. Do service fairness affect loyalty through customer satisfaction?

## LITERATURE REVIEW

### *Marketing*

Marketing is the most important tool for a company to get its customers (Kothler and Armstrong, 2006). Marketing has also become an important tool to create customer satisfaction for the company to gain good positioning and good image in the eyes of costumers (Kotler and Keller, 2012). Recently a new form of marketing called Islamic marketing, which raises a big question, as to what exactly it entails.. In conventional marketing discussion many writers assert that Islamic marketing is the marketing aiming at a group of Muslims, or a form of marketing used in a particular location dominated by Muslims. It should be understood that Islamic marketing is a new form of marketing that will define marketing to be different because Islamic marketing has a different rationale based on the understanding of Islam (Wilson and Grant, 2013). The same thing is also expressed by Ghifari (2012), who argued that Islamic marketing should not be simplified as a marketing concept related to the Muslim community only, rather a deeper understanding of the fundamental theory and philosophy of Islam itself is necessary to fully comprehend the concept of Islamic marketing. Chaci and Latieff (2008) states that Islamic marketing is a form of marketing that combines the principle of maximizing the value with the principles of equality and fairness

which encourages public welfare. Furthermore, Ahmad and Muchtar (2001) illustrates that Islamic marketing does not exploit consumers, maintain honesty, does not cheat, and act with fairness, fraternity and equality. Abdullah and Ahmad (2010) state that Islamic marketing is marketing based on the Qur'an and Sunnah that manage the balance between the interests of the company in the form of profit and customer's interest in the form of the provision of safe and quality products, thus ensuring well-being of mankind. According to Aram (2010), Islamic marketing is a marketing based on the spirit of monotheism which is driven by the principles of brotherhood, fairness, and equality, so as to encourage prosperity through the fulfilment of customer needs.

### *Educating Customer*

In marketing, the topic of education is certainly the most important aspect to better educate the customer to understand the product and the company, so customers are expected to be interested in what the company is doing. In other words, the closest form of this educational program is through promotion. As expressed by Abdullah and Ahmad (2010) that marketing aims to inform and educate the customer. From other opinions that expressed by Cutler and Armstrong (2006) stated that the role of the campaign is to inform the customer or potential customer about the existence of a product, in order to influence the customer on their preference and buy a product or affect the person's preference in a product, or remind the customer about the benefits of consuming these products. In short, the campaign has a goal of changing the mindset of a customer to choose a product. From this explanation show that educational goals, be very similar with promotion.

As a form of Islamic promotion, it must be implemented within the rules of the Qur'an as mentioned in Al-Imran: 104 which means:

"And let there be [arising] from you a nation inviting to [all that is] good, enjoining what is right and forbidding what is wrong, and those will be the successful".

The above verse states that the basis knowledge regarding a sale is that the promotion must not cause negative things such as encourage reckless activities, wasteful spending, and promiscuity between men and women. In addition, the Prophet said that the best Muslims are Muslims with good moral character, and thus a good promotion should encourage good morals (Abdullah and Ahmad, 2010). In a hadiths, the Prophet SAW said:

"Those who cheat, then he is not included among us. People who plot and deception, his place in hell" (HR. Ibn Hibban 2: 326).

Another Hadith also mentions the Islamic views on marketing of products as follows:

"From Abdullah ibn Mubarak that he heard Ibn 'Umar said," A man reported to the Prophet that he was often cheated in the sale. Then the Prophet said, 'Anyone who deal with you tell him, 'No seduction-fraud'. 'So every man's trade, he always says, 'There is no seduction-fraud!' [Reported by Muslim].

Looking at both Hadith, it can be clearly seen From an Islamic marketing perspective, promotions should not be followed by concealment or deception, it must be understood that in Islam both buyers and sellers must be aware that they are under the supervision of God and will be accountable to God, thus both parties must be honest and fair. In addition, Hasan et al(2008) suggested some things are forbidden in promotion, namely: 1. No sex appeal. 2. No emotional appeal. 3. No coercion. 4. No false testimony. 5. Not allowed to use research to pretend. 6. Not allowed to fool the mind. 7. It is not allowed to create an event that is outside the framework of Islamic teachings. Those things are not allowed because it is based on Islamic

teachings and it is unethical to do. A similar opinion was expressed by Trim (2008) who argues that in Islamic marketing, marketers are not allowed to promise exaggerated information that may cause the customer to be cheated.

#### *Service Fairness*

The concept of fairness is highly regarded in Islam. Many verses in the Qur'an command Muslims to be fair, not only to the Muslims but to all mankind. As Allah said, which means:

“So to that [religion of Allah] invite, [O Muhammad], and remains on a right course as you are commanded and do not follow their inclinations, but say, "I have believed in what Allah has revealed of the Qur'an, and I have been commanded to do fairness among you. Allah is our Lord and your Lord. For us are our deeds, and for you your deeds. There is no [need for] argument between us and you. Allah will bring us together, and to Him is the [final] destination." (Assyria: 15)”

It is clear that Allah commanded human being to be fairness to all without any distinction. Like other concepts in Islam, fairness is not only concerned with any legal or judicial concept of fairness but it is a concept that applies to all areas, including marketing.

With respect to marketing services sector, many entrepreneurs and researchers are focusing on how to create a form of good quality and attractive services. This is due to the fact that the resulting product is not tangible, thus more difficult to put into words. Many researchers have developed the concept of service fairness, the development is conducted in order to develop more specific and more practical service fairness concept. However, today both practitioners and academics are trying to reach new heights in building a better service and the concept of service fairness.

Fairness is a concept of service which is based on equity theory proposed by Adam (1965). In this theory, each individual will be motivated by the level of fairness of the input they provide compared to the results to be obtained. If individuals feel unfairly treated, they will attempt to resolve this unfairness. Although this feeling will be a different attitude depends on the type of unfairness of the individual, if the individual feels that what it receives less than it should be, the individual will find himself deceived or cheated, but if it happens the opposite of what is received is excessive individuals would feel bad, or less worthy. As already mentioned above, this service of fairness aims to complement the service quality provided to the customer. According to Car (2007), a customer will not only assess a service through service quality but also the level of service fairness. car (2007) explains five different types of service fairness, namely:

1. Distributive fairness. It is a form of fairness related to the cognitive, affective and behavioural reactions against the proceeds received by a customer from what is already given. Several other researchers refer to this fair distribution as an outcome of fairness.
2. Procedural Fairness. This procedural fairness is fairly related to rules and processes that need to be performed by a customer to get a result or services.
3. Interactional Fairness. This interactional fairness relates to interaction performed by the server to the customer during communication between the two sides. Instructional fairness can also be defined as a fairness-related attitudes and behaviour in the form of interaction during the process of distribution from the server to the customer. According to Car (2007), interactional fairness has two main dimensions, namely:
  - a. Interpersonal fairness. This interpersonal fairness focuses more on manners or behaviour that occurs between the server and the customer, such as bring polite, friendly and so on.

- b. Informational fairness. Fairness of this information relates to fairness of the information exchanged during the process of distribution of services, such as whether the information given is enough so that customers feel comfortable during the process or whether such information is sufficient so that customers will not be disappointed or experiencing a misunderstanding.
4. Systemic Fairness. This systemic fairness is a form of fairness that will assess all form of fairness. many researchers do not agree with form of this fairness, because the bet is not necessary because already include the above three forms of fairness.

Besides the four forms of service fairness mentioned above, other opinions such as by Namkung and Jang (2010) who argued the inclusion of the concept of equity prices in addition to procedural fairness, distributive fairness and interactional fairness.. The price of fairness include fairness-related costs need to be incurred by a customer in getting a product or service. Some researchers put this type of fairness on procedural fairness, but according to Namkung and Jang (2010) both are different.

#### *Effect of Educating Customer on Customer's Satisfaction and Loyalty*

Khan et al (2012) described promotion as a different form of activity to attract and gain the attention of customers to purchase products or services through personal selling, public relations, sales promotion and advertising. Khan et. al (2012) found that promotion has a positive influence on customer satisfaction. So the higher of the promotion is expected to have a higher positive impact on customer satisfaction. Furthermore, Augustine (2012) also found that the campaign will have a positive influence on customer satisfaction, not only this promotion can also increase customer loyalty through satisfaction or directly. Sukmarini (2013) also found that the promotional strategy used by a company will influence satisfaction and customer loyalty. In addition, customer satisfaction will encourage customer loyalty to the company. Chiu-ping et al (2014) who conducted a research on the impact of information quality on satisfaction and loyalty found that the quality of information have significant impact on customer satisfaction and loyalty. In promotion activity, information is one of important factors that can be used to measure the success of promotion.

A study by long-yi et al (2010) also found a positive effect of promotion on customer loyalty, though the level of significance depends on the level of loyalty of the customer in this study. Long-yi et al (2010) divides the two types of customers, namely hard loyalist and low loyalist. In a subsequent study Saeed et al (2013) also found a significant relationship between promotion and customer loyalty, but it depends on the level of customer loyalty. Based on the findings above, the following hypotheses can be formulated:

H1: Educating customer affect customer's satisfaction

H2: Educating customer affect customer's loyalty

H3: educating customer affect customer loyalty mediating through customer satisfaction

#### *Effect of Service Fairness to customer satisfaction and loyalty*

Omar and Taib (2015) found that quality service and service, fairness can affect customer satisfaction, which in turn will encourage the formation of customer loyalty. A similar trend was also found by Hermann et al (2007) which found that service fairness affects customer satisfaction. A similar trend was also found by Chen et al (2012) who found that service fairness has an influence on customer satisfaction. In another study, Hasan et. al (2013) also found that service, fairness and service quality have positive influence affects customer satisfaction and loyalty. Another study by Kaura et al (2015) on customer loyalty in India found that service fairness has significant impact on customer loyalty, as well as

significant impact on satisfaction as mediator of loyalty. Another finding by Giovanis et al (2015) found that service fairness has a significant impact on customer loyalty. In Iran, Asadi et al (2014) found that service fairness has a positive influence on customer satisfaction and loyalty. Furthermore, Zhu and Ji (2012) also found that service fairness has a strong relationship with a customer satisfaction. Based on the above findings, the following hypotheses are formulated

H4: service fairness affects customer's satisfaction

H5: service fairness affects customer's loyalty

H6: service fairness affects customer's loyalty mediating through customer satisfaction

## RESEARCH METHODOLOGY

This research examines the influence of consumer education and the service fairness of Islamic banks on customer satisfaction and loyalty on Islamic bank in Jakarta. The population of this research is Islamic banking customers in Jakarta who are customers that has been saved their money in the Islamic bank for at least 1 year. The number of samples taken is 204 people. The collection of data carried out by interviewing the customer using a questionnaire. The variables used in this study are educating customers that consist of quantity of information delivery, quality of information, and the quality of people who provide the information, service, fairness that consist of four sub-variables, they are distributive fairness, procedural fairness, interactional fairness and price fairness, satisfaction being used as intermediary variable, while the dependent variable is customer loyalty.

The data collected were tested using validity and reliability test as instrument testing to show the relation between indicators and the variables. The next step is testing the model fit of the research, to analyze the quality of the model used in the research. After that test the hypotheses using structural equation model analysis with AMOS software tools and SPSS are conducted. Structural equation modeling is a multivariate statistical analysis technique that is used to analyze structural relationships. This technique, which is the combination of factor analysis and multiple regression analysis is used to analyze the structural relationship between measured variables and latent constructs (Hermawan, 2006). This method is suitable for this research because it shows the influence of each variable without eliminating the influence of each indicator. In addition, the use of SEM will make it possible to see the effects directly and indirectly. In addition, this method is suitable for data involving perception scale.

## RESULTS AND ANALYSIS

### *Educating Customer*

Table 3: Min, Max, Average and Standard Deviation on Education to Customer

Variable	Min	Max	Average	Std. dev
Quantity of promotion and advertisement	1.00	5.00	3.86	1.12
Quantity of research, seminar and conference	1.00	5.00	3.54	1.14
Effective Delivery of message	2.00	5.00	4.01	0.79
Effective promotion	1.00	5.00	4.02	0.99
Education	1.00	5.00	3.86	1.02

Source: Result of Data Processed by SPSS



Based on Table 3 above, it shows that the lowest value of the respondent's perception is 1 and the highest score is 5, with a standard deviation of???. Standard deviation value shows that the variations of the respondents' answers are very diverse. Value of a standard deviation shows that the perception of the respondents regarding the ability of banks to educate customers is very diverse.. Table 3 also above, it can be seen that the standard deviation value on every indicator shows the quantity of promotion and quantity indicators of research and seminars have standard deviations above the value of 1. This value indicates that both of these indicators is the quantity of promotion and quantity of research and seminars this in view of customers have variations that are too high.

#### *Service Fairness*

In this research, service fairness consist of four dimension namely, outcome fairness, procedural fairness, interactional fairness, and price fairness

Table 4: Descriptive Statistics for outcome fairness Dimension

Variable	min	max	average	std. dev
Product Variation	1.00	5.00	3.86	0.78
Syariah services better than conventional	1.00	5.00	3.61	0.89
Services that meet the need	2.00	5.00	3.75	0.73
Outcome fairness	1.00	5.00	3.74	0.80

Source: Result of Data Processed by SPSS

Based on Table 4, it can be seen that the average of this variable is equal to 3.74 where this value indicates the perception of respondents of outcome fairness have not reach the good opinion.. It can be shown from the average value of this dimension is still below the value of 4. Therefore, further improvement by Islamic banking is still needed. Table 4 also shows that the weakness of Islamic bank is the lack of ability of Islamic banking services to compete with those offered by conventional banking. The above table also states that weakness in the service has not been able to compete with that of conventional banks as indicated by the standard deviation value which is equal to 0.89. It means that standard deviations became the biggest indicator that represents the fairest outcome suggesting that the perception of the customer is still variable or can be said to be less significant.

Table 5: Descriptive Statistics for Price fairness Dimension

Variable	Min	Max	Average	Std. dev
Cost based on services	2.00	5.00	3.93	0.60
Normal cost	1.00	5.00	3.95	0.68
Price fairness	1.00	5.00	3.94	0.64

Source: Result of Data Processed by SPSS

Table 5 depicts the average value of the respondent's perception of fairness is 3.94 where the value is shown on its real price fairness aspect of Islamic bank which is already enough to be able to fulfil the hope as expected by customers. With a standard deviation value of 0.64 indicates a fairly small value that leads perceptions of price fairness here have properties that are almost homogeneous among the respondents. The Table also shows that the standard deviation value for each indicator is below the value of 1 which is a good thing to show that the perception of consumers quite in line with the perceptions of the fairness of this price.

Table 6: Descriptive Statistics for Procedural fairness Dimension

Variable	min	max	average	std. dev
Quick Services	1.00	5.00	3.34	1.15
Services improve continuously	1.00	5.00	3.97	0.72
Affordable facility	1.00	5.00	3.63	0.82
Procedural fairness	1.00	5.00	3.65	0.92

Source: Result of Data Processed by SPSS

Based on Table 6, indicate that the average value of the respondent's perception regarding procedural fairness is equal to 3.65, where this value from 4 to represent not so good value, which can be interpreted that the respondent's perceptions about the ability of Islamic banks in delivering procedural fairness is very doubtful. The table appears that the highest perceived value is continuous improvement, this is a good indication of the improvement in the respondent's perception of banking experience.. On the other hand, the lowest score is speed component which has long been a problem faced by Islamic banking, where customers feel that Islamic banking is less swift in delivering services to its customers.. The standard deviation value is equal to 0.92 which indicates that the pattern of the perception of the respondents still vary widely on the issue. The procedural fairness shows that on fast service shows that this indicator has a standard deviation above 1 which shows that the perception of consumers is varied. This weakness is also seen in the average value of this indicator is equal to 3.3 which shows that in general the customer is still in doubt with the quality of speed in this industry

Table 7: Descriptive Statistics for Interactional fairness Dimension

Variable	Min	Max	Average	Std. dev
Comfortable services	2.00	5.00	4.20	0.61
Convenient interaction	2.00	5.00	4.09	0.66
Distribution of needed information	2.00	5.00	3.95	0.72
Responsive toward customer's need	1.00	5.00	3.82	0.78
Interactional fairness	1.00	5.00	4.01	0.69

Source: Result of Data Processed by SPSS

Based on Table 7, the average value of the respondent's perception on Interactional fairness which indicate that Islamic banks are already doing well. Nevertheless the above table also shows that the lowest average value is respondents' ability in terms of Islamic banking response to customers. This condition can be related with a lack of procedural fairness that occurs in that the velocity of Islamic banking services. Table 7 also indicate a low standard deviation, which shows that the perception of the respondents is closer to homogeneous. Based on the dimensions of service, fairness of Islamic banking mentioned above, it can be concluded that in general, service fairness on Islamic banking has an average value of below 4 points which indicate a good service.

Table 8: Statistic Descriptive for Satisfaction Dimension

Variable	Min	Max	Average	Std. dev
Satisfaction over banking product	1.00	5.00	4.03	0.73
Satisfaction over banking services	1.00	5.00	3.97	0.77
Satisfaction	1.00	5.00	4.00	0.75

Source: Result of Data Processed by SPSS

Table 8 shows the average perception of respondents with respect to satisfaction is equal to 4.00 thus indicates that respondents are generally satisfied with Islamic banks. However, closer look into the results shows that satisfaction with the product was relatively high at 4.03 while the satisfaction level of the Islamic bank servicing the customer is lower which equal to 3.97.

Table 9: Descriptive Statistics for Loyalty Dimension

Variable	Min	Max	Average	Std. dev
Keep trusting Islamic bank	1.00	5.00	4.32	0.61
Willing to transact with Islamic bank continuously	1.00	5.00	4.37	0.67
Willing to promote Islamic bank	1.00	5.00	4.38	0.69
Willing to disseminate Islamic bank	1.00	5.00	4.43	0.66
Willing to try new product of Islamic bank	1.00	5.00	4.20	0.69
Loyalty	1.00	5.00	4.34	0.66

Source: Result of Data Processed by SPSS

Table 9, depicts the average value of respondents' perception on their loyalty to the Islamic bank is 4.34, thus suggesting that the respondents are confident of their loyalty to the Islamic banks. On the average, value of each component of the indicator is in the top four, which also shows a good thing because the respondents believe that their loyalty to the Islamic banking is good. The value of 0.6 of standard deviation indicates the variation of data that is not too high.

Table 10: Estimation results

	Estimate	S.E.	C.R.	P	Label
Satisfaction <--- Educating	-.574	.286	2.003	.045	
satisfaction <--- fairness	.983	.162	6.070	***	
loyalty <--- satisfaction	.076	.151	.503	.615	
loyalty <--- educating	-.113	.244	.465	.642	
loyalty <--- fairness	-.275	.198	1.387	.165	

Source: data processed by AMOS

Table 11: Direct effect

	Fairness	educating	satisfaction	loyalty
Satisfaction	.843	-.290	.000	.000
loyalty	-.245	-.060	.079	.000

Source: data processed by AMOS

Table 12: Indirect effect

	Fairness	educating	satisfaction	loyalty
Satisfaction	.000	.000	.000	.000
loyalty	.066	-.023	.000	.000

Source: data processed by AMOS

Table 13: Summary of SEM results

Hypothesis			P	Estimate
Education	-	Satisfaction	0.045	-0.29
Fairness	-	Satisfaction	0	0.843
Education	-	loyalty	0.642	-0.06
Fairness	-	loyalty	0.165	-0.245
Fairness	-	loyalty	0.615	0.079

Source: Result of Data Processed by AMOS

#### Hypothesis 1

The influence of education to satisfaction of the customers of Islamic bank in Jakarta, the hypothesis is as follows:

H<sub>0</sub>: Educating customer does not affect customer's satisfaction on Islamic bank in Jakarta

H<sub>a</sub>: Educating customer affects customer's satisfaction on Islamic bank in Jakarta

Based on the results, , the significant value obtained is 0.045, therefore H<sub>0</sub> is rejected and H<sub>a</sub> is accepted. It means there is a significant influence on customer satisfaction by educating customer on Islamic banking in Jakarta. Based on the results, it is also shown that the beta is -0.29 which indicates that education has a

negative effect on satisfaction of banks in Jakarta. In other words, higher education would decrease customer satisfaction. The result of this study is not in accordance with previous studies by Khan et al.(2012), Gustin (2012), Sukmarini (2013) and which found that education has significant influence on satisfaction, but the discrepancy is in the nature of the effect of education on satisfaction. In previous studies the nature of influence is positive, that means more education on the product received by customers would lead to higher satisfaction, while the results of this study is the opposite.

#### Hypothesis 2

The second hypothesis focuses on the impact of education provided by the Islamic bank to their customer's loyalty. The hypotheses are as follows,

H<sub>0</sub>: Educating customer does not affect customer's loyalty on Islamic bank in Jakarta

H<sub>a</sub>: Educating customer affect customer's loyalty on Islamic bank in Jakarta

Based on the above Table it can be said that the value is significant of this hypothesis is at 0.62 where this value is more than 5% alpha so that H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. Thus, it can be stated that there is no significant influence the education provided by the Islamic bank on the loyalty of customers in Islamic bank. The results of this study do not concur with the results of previous studies such as Khan et al. (2012), which found that education was a significant factor influencing loyalty, and also Gustin (2012), and Sukmarini (2013) found the same result while Lon-yi et al (2010) suggested that education is the most important factor in building customer loyalty.

#### Hypothesis 4

The fourth hypothesis is a hypothesis which would see the impact of service fairness on customer satisfaction in Islamic banks in Jakarta. The hypotheses are as follow:

H<sub>0</sub>: service fairness does not affect customer's satisfaction on Islamic bank in Jakarta

H<sub>a</sub>: service fairness affects customer's satisfaction on Islamic bank in Jakarta

Based on Table 13, the results show the significant value of 0:00 so that H<sub>0</sub> is rejected and H<sub>a</sub> is accepted. With this result, significant conclusions can be established with significant influence on customer satisfaction of fairness of Islamic banks in Jakarta. The hypothesis test results above also include the value of estimate or beta coefficient of 0.84. This coefficient value indicates that there is a strong influence of fairness to the satisfaction of the customer. In addition to the value of the coefficient is also visible nature of the influence of fairness on a satisfaction that is positive, where it shows that there is a positive influence between fairness on customer satisfaction, which means the better the fairness offered in services by Islamic bank, the higher the satisfaction which will be obtained by the customer. The results are in line with the theory and previous research by Hasan et al (2013), and Zhu and Ji (2012) which also found a strong and positive influence of service fairness on satisfaction of banking customers. The results of this study are in line with the results of Herman et al (2007) who found the influence of service, fairness on satisfaction while also Chen et al (2012), Omar and taib (2015), Zhu and Ji (2012) and also Hasan et al (2013) found the same research that Service fairness has a significant and positive effect on satisfaction.

#### Hypothesis 5

The fifth hypothesis examines the influence of service fairness in Islamic bank on customer loyalty. The hypothesis is as follow.

H<sub>0</sub>: Service fairness does not affect customer's loyalty on Islamic bank in Jakarta

H<sub>a</sub>: Service fairness affects customer's loyalty on Islamic bank in Jakarta

Based on Table 13, the value is significant at 0.16 which is more than 5% of alpha so it can be stated that H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. Therefore, it can be concluded that there is no significant influence service fairness on loyalty of the Islamic banking customers in Jakarta. The results of this study do not concur with the results of previous studies such as Chen et al (2012), Omar and Taib (2015), Zhu and Ji (2012) and also Hasan et al (2013) which found that service fairness has a significant influence on loyalty to Islamic banking customers.

The above results affirm the results of hypothesis 3 and hypothesis 6 where education as variable is the coefficient of the influence of education on the loyalty indirectly at 0.02 indicate that the effect is very small. In addition, based on previous significant Table it appears that this effect has properties that are not significant. This shows the influence of education on loyalty through customer satisfaction indirectly is weak and not significant. The second variable indicates that the service fairness of Islamic banks in Jakarta indicates that the influence of the fairness of these services to loyalty through satisfaction of the customer in the Islamic bank is 0.66 where this figure is very small though compared to other two factors to have the greatest influence coefficient. However, when looking at the previous Table it can be seen that the actual significance of indirect influence is not significant because it is not influenced by satisfaction on loyalty. Thus, it can be stated that there is no significant effect between service fairness to loyalty indirect through Islamic banking customer satisfaction in Jakarta.

## DISCUSSION

This study found a unique finding pertaining to the influence of educating customers on customer satisfaction. This study also found that the more or higher social education provided by the Islamic bank to its customers, the lower the satisfaction derived by the customer. On the contrary, educating customer has no significant influence on loyalty, either directly or indirectly. The finding of this research is contrary to the results of previous researchers, as expressed by Long-yiet al (2010) and Saeed et al (2013) which revealed that education has a positive influence on satisfaction. But on the other hand the study also found that the significant level of influence is strongly influenced by the degree of loyalty. According to Saeed et al (2013) who revealed that the level of loyalty of a customer is divided into two types: hard and moderate loyalty. The level of loyalty of hard-line will have a significant impact towards more promotion at a moderate level.

The negative impact on customer satisfaction and loyalty to the Islamic bank may be attributed to several reasons. One of the causes is the number of promotion and discussion by Islamic bank which are less favourable for the Islamic bank. This research noted that part of the strongest factors that affect customer satisfaction and loyalty to the Islamic bank has to do with the benefit offered by Islamic banks. In view of this, benefit of religion, mind, soul, lineage and property are among the variables. In another words, Islamic bank customers satisfy or loyal to Islamic bank not because of the service but mostly because of they are Islamic bank. On the other hand the current development of many promotional activities and discussion that discusses how the lack of Islamic banking, especially in the case of less Shariah level of Islamic banks. This case make the customer still doubt with Islamic bank. For these reasons, the phenomenon reflects the findings of this study. The increasing number of Islamic banks' customers more, there will be more discussion which tends to increase dissatisfaction and loyalty to Islamic banks because

their lack knowledge on Islamic banking. The lack of Islamic banking knowledge means that the benefit from Islamic bank has declined, thus leading to decrease in customer satisfaction and loyalty. This understanding is consistent with the results of research by Spreng and Chiou (2002) which states that knowledge or information possessed by a consumer will have a great effect on the behaviour of the customer either in goods or services. In this study also mentioned more knowledge received by the customer, the greater the effect, this effect occurs either directly or indirectly, either to the satisfaction or loyalty. This can be reflected in what is happening today with an Islamic bank, the more people who expressed a lack of Islamic bank is influencing by knowledge that separated, and this situation make negative impact on customer satisfaction and loyalty to Islamic banking.

This condition has basically been reminded by the Prophet Muhammad in a hadith, from Sa'id Ibn Abi Burdah, "Be easy and do not be difficult. Let you deliver good tidings and do not make them run away, because in fact you were sent to facilitate and not to complicate. "The Hadith reflects a lesson in Islam to not complicate things, encourage people to approach the truth in good ways, do not make people who were given an invitation to the truth run from the truth itself. In this case, these results can be seen that the means to explain Islamic bank is by way of highlighting weaknesses considered as a less precise way.

In addition, another factor like customer confidence in Islamic bank also has a big role. In this case the question is whether the trust principle has been practiced by Islamic bank.. This research highlight that the bank' orientation towards *maslahah* is the most important factor influencing customer satisfaction and loyalty, so it does not become an impossibility that a lack of customer confidence in Islamic bank is also generally due to lack of understanding of the workings of the Islamic bank itself lead to this negative effect. It means, the person is given information about Islamic bank compared the information then the person with his knowledge through observation will cause dissatisfaction and disloyalty.

This study found that service fairness has positive and significant influence on customer satisfaction. These results are in accordance with previous findings, such as, Arham (2010) who found that not only quality service but service fairness can also affect customer satisfaction. A similar trend was found by Auda, Jaser (2011) who found that the service fairness affects customer satisfaction. Jafari (2012) found that the service fairness is closely related to customer satisfaction. A similar trend was also found by Jafari (2012) who found that service fairness has influence on customer satisfaction. Carr (2007) also states that service fairness as a concept of further development of the service quality has a very strong influence on the level of customer satisfaction.

The other finding reveals that service fairness influence on loyalty services either directly or indirectly are not significant effect. This is certainly contrary to many theories and previous findings, such as ETL Hasan et al (2013) who found that the service fairness is a determinant of loyalty, Omar and taib (2015) also found that the service fairness can shape the loyalty of customer and no significant influence of education that said loyalty to the present Islamic bank has not been able to build loyalty of customers. Service fairness only reaches customer satisfaction, have not yet reach customer loyalty. This shows that Islamic bank has not succeeded in developing an optimal fairness in providing services to its customers.

## CONCLUSION

The study found that educating customer has a significant impact on customer satisfaction. However, the influence has a negative effect which means that the more customer education given to customers the more

dissatisfied the customers will be On the other hand, service fairness has a positive and significant impact on customer satisfaction, thus is in accordance with existing theories. This study also found that Islamic banks in Indonesia in general and Jakarta in particular have not been able to build its customer loyalty. This is evident in the lack of significant effect on customer loyalty.

This paper implies that Islamic bank needs to revisit the ways, methods and content of promotional activities as well as effort undertaken in educating the customer. This is due to the peculiarity found in this study indicating that the more customers learn about Islamic banks, the more dissatisfied they will be. In educational practice, this can only happen when the Islamic bank has not been able to achieve the ideal form of Islamic bank that will disappoint the customers in Second, Islamic bank also needs to further develop and optimize the quality and equity of services it provides. This evidence found in this study suggests that only service fairness can meet the satisfaction of customers who have not quite reached the level of loyalty. Based on the research aspects of the weakest service, fairness, held by the Islamic banking in Jakarta is the procedural fairness aspect. It means the customer still feels that the procedures required by the customer to obtain the services of Islamic banking do not meet the expectation of the Islamic banking customers.

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