

The Role of Sharia Governance in Fostering Customer Loyalty and Trust in Indonesian Islamic Banks: A Systematic Literature Review (2017-2024)

Refky Fielnanda*, Euis Amalia, Nur Hidayah
UIN Syarif Hidayatullah Jakarta, Indonesia

Article Info

Paper Type:

Literature Review

Received: August 15, 2024

Revised: October 31, 2024

Accepted: November 25, 2024

First Available online: November 30, 2024

Publication Date: November 30, 2024



Fielnanda, R., Amalia, E., & Hidayah, N. (2024). The role of sharia governance in fostering customer loyalty and trust in Indonesian Islamic banks: A systematic literature review (2017-2024). *Review of Islamic Economics and Finance (RIEF)*, 7(2), pp. 15-32.

Abstract

Purpose – This study aims to identify and examine the empirical literature of the past eight years (2017-2024) regarding the utilization of sharia governance in Islamic Banks in Indonesia and its impact on the trust and loyalty of Islamic bank customers.

Methodology - The research methodology adopted was a systematic literature review conducted through literature exploration in the undergraduate google database with the help of Publish or Perish (PoP) software. A total of 640 articles addressing Islamic governance were initially identified and then screened using the covidence web based on inclusion and exclusion criteria and alignment with the research questions outlined in this systematic literature review, resulting in a final selection of 20 articles for review.

Findings - The findings of the investigation explain that the dominant research approach used by scholars is quantitative, utilizing various statistical analysis techniques, including multiple linear regression analysis and Structural Equation Modelling (SEM). Islamic banking institutions in Indonesia have integrated sharia governance practices, utilizing various tools rooted in the principles of good corporate governance and sharia compliance. The results of this systematic literature review indicate that effective Islamic governance within Islamic banks in Indonesia has been proven to foster customer trust and loyalty.

Keywords: Shariah Governance, Trust, Loyalty, Systematic Literature Review

1. INTRODUCTION

Adoption of strong good corporate governance (GCG) remains an area of improvement in Islamic banking, as certain factors continue to hinder the sector's competitive advantage. Findings from the Islamic Research and Training Institute (IRTI) reveal suboptimal implementation of GCG across Islamic banking institutions in Muslim-majority countries. Empirical evidence suggests that effective GCG practices, as demonstrated by various Islamic financial entities globally, can foster increased trust and loyalty towards Shariah-compliant banks. In particular, Chapra highlights that failure to uphold Shariah principles could potentially drive an 85% customer migration rate to other financial institutions. As a result, prioritizing GCG protocols and adhering to Shariah governance principles is critical to increasing customer loyalty and trust in Islamic banking, while safeguarding stakeholders' interests to foster a reputable and resilient Islamic banking ecosystem. (Chapra & Ahmed, n.d.)

A key component of Islamic finance that is essential to fostering client loyalty and trust is sharia governance (Juliana et al., 2023a). Financial institutions show their dedication to moral and open business operations by upholding Sharia law, which is crucial for gaining their clients' trust. Sharia governance guarantees that Islamic financial services and products adhere to Islamic principles, giving clients peace of mind that their financial dealings are consistent with their religious convictions (Abdullaev et al., 2023). In addition to fostering client trust, this devotion to Sharia law improves Islamic financial institutions' standing and legitimacy in the eyes of the international financial community. To put it simply, Sharia governance plays a major role in building and preserving client loyalty and faith in Islamic finance. However, the 2008 failure of Amlak Finance, an Islamic financial company based in Dubai, as a result of excessive risk-taking and poor management, could serve as a thorough counterexample to this. This incident demonstrated that despite Sharia governance, Islamic financing still carries dangers that could cause clients to lose faith in the company (Juliana et al., 2022).

An important element in the development of Islamic banks lies in Shariah compliance, serving as the cornerstone that distinguishes Islamic banks from their conventional counterparts (Nuraini et al., 2024). To ensure the unwavering application of Shariah principles in banking operations, the supervision of the Shariah Supervisory Board (DPS) is indispensable (Saeed, 1996). Increased trust and loyalty among customers serve as important indicators of an Islamic bank's progress and offer predictive insights into its future success in expanding market share (Tamalasari, 2016). Metawa and Almossawi; Naser et al. explain that the main determinant for clients to uphold their relationship or show loyalty towards an Islamic-compliant financial institution is their commitment to the precepts of Sharia. Clients' decision to retain an Islamic bank is influenced by faith considerations and beliefs against usury in the Muslim community. As revealed in the main results of the investigation, Bank Indonesia confirmed that some clients engaged with Islamic banks showed a tendency to discontinue their patronage, partly due to uncertainty regarding the consistent implementation of sharia principles. The level of compliance and alignment of banks with Shariah principles is often subject to scrutiny by customers, implicitly implying that the implementation of Islamic banking practices to date has not been mindful of Shariah precepts, consequently contributing to reduced trust in Islamic financial institutions (Juliana et al., 2023b; Putri & Sukmaningrum, 2023). Trust is an important factor in fostering loyalty to Islamic banks in the long term. Trust plays an important role in fostering relationships and managing service-oriented financial entities. (Metawa & Almossawi, 1998) Morgan and Hunt

further argue that high levels of trust can potentially deter customers from transitioning to alternative banking firms. (Morgan & Hunt, 1994)

Customer loyalty and trust are crucial elements that support a business's success in the context of Islamic finance. Perceived e-service quality and overall e-satisfaction with Islamic banks' online services are favorably influenced by attitudes toward Islamic banking, according to a study. Furthermore, customer happiness and loyalty to the bank are improved by perceived online service quality, with e-trust mediating the relationship between e-satisfaction and e-loyalty. It is crucial to remember that in Islamic finance, if there are instances of corruption or unethical behavior within the company, consumer loyalty and trust may still be at risk. Customers may lose faith in a Islamic bank and choose to do business with another company if it is discovered that it is engaging in dishonest or immoral practices. Because clients depend on these financial companies' moral character and adherence to Sharia law, customer loyalty in Islamic banking is based on trust. In Islamic finance, trust is essential because it guarantees that clients have faith in the goods and services being provided. Islamic financial institutions can build enduring connections with their clients and cultivate a devoted clientele that is critical to their success and expansion by placing a high priority on client loyalty and trust. In the end, maintaining the integrity and standing of Islamic finance in the international financial system depends heavily on client loyalty and confidence.

In the context of Islamic finance, it is impossible to overestimate the significance of Sharia governance in fostering client loyalty and trust. It guarantees that all transactions adhere to Islamic teachings and acts as the cornerstone for moral business conduct. Financial organizations can show their dedication to preserving the principles of Islamic finance and inspire trust in their clients by following Sharia governance. Customers' trust and loyalty are therefore increased, resulting in enduring partnerships and steady growth for the organization. This study will describe its goals and methodology in order to investigate the effects of Sharia governance on consumer loyalty and trust in more detail. The study will examine how consumers view financial organizations that adhere to Sharia governance rules in terms of loyalty and trust. The study intends to shed light on how well Sharia governance works to establish enduring relationships with clients by conducting surveys and compiling information on consumer satisfaction and loyalty towards Islamic financial organizations. Furthermore, the study will examine the relationship between customer loyalty and adherence to Islamic principles, highlighting the significance of moral business conduct in the financial industry. Eventually, the results of this study will help us better understand how Sharia governance helps Islamic financial consumers become more loyal and trusting.

2. LITERATURE REVIEW

Customer loyalty in the framework of Sharia governance encompasses more than just recurring business; it also refers to the dedication to maintaining Islamic values in every facet of the business partnership. Financial organizations can more effectively customize their goods and services to match the requirements and preferences of their Muslim clientele by knowing the distinctive elements that influence client loyalty in Islamic banking (Mulia et al., 2021).

In Islamic banking, customer loyalty is mostly influenced by service quality. According to research, providing excellent customer service has a good effect on client satisfaction, which in turn influences loyalty. Abror et al., for instance, point out that customer satisfaction is a key component in the development of loyalty and that service quality indirectly affects customer loyalty through customer satisfaction (Abror et al., 2019). Similar to this, Suhartanto et al. stress that religiosity, emotional attachment, and service quality all work together to promote loyalty,

suggesting that clients' devotion to Islamic banks is based on their experiences with high-quality service (Suhartanto et al., 2019). Additionally, studies have indicated that consumers view Islamic banks as offering better service quality than traditional banks, which increases their loyalty.

Trust is also a significant factor that affects nasabah loyalty in Islamic banks. According to research by Wijaya et al., customer's trust in Islamic banks has a positive relationship with loyalty, demonstrating that trust is an essential component of a bank's relationship with its customers (Wijaya et al., 2022). This is supported by Kaabachi and Obeid, who state that strict adherence to Islamic law increases trust, hence fostering loyalty among Nasabah (Kaabachi & Obeid, 2016).

Using the Systematic Literature Review approach, the study will map customer loyalty and trust based on Sharia governance. The observation that Islamic financial institutions have advanced quickly without a commensurate rise in market share serves as the starting point for this study. Initiatives to increase the market share of Islamic banking through the application of Sharia governance are necessary because the growth of Islamic banks is not associated with a decrease in the frequency of complaints about their services. The goal of this strategy is to increase client loyalty, trust, and happiness with Islamic banking institutions.

3. METHODOLOGY

This research uses the Systematic Literature Review (SLR) methodology. Systematic Literature Review refers to a specific approach to research and methodology set out by Kitchenham & Charters, which aims to collect and assess related research on a particular topic. The process includes three main stages: planning, collecting, and reporting. Initially, the prerequisites for conducting a systematic review are outlined. Next, systematic reviews focusing on the challenges of Islamic banking in Indonesia were identified and examined. A review protocol was created to guide the review process and minimize potential researcher bias. The second phase involved formulating research questions, search tactics, study selection procedures that included inclusion and exclusion criteria, quality evaluation, and finally, data extraction and synthesis. The final phase consists of presenting the research findings based on the literature that has undergone the initial two phases, followed by a discussion and summary of the results. (Barbara Kitchenham & Stuart M. Charters, 2007)

This review technique was carried out by exploring literature sourced from Google Scholar repositories. The data population in this study is scientific journals focusing on the implementation of Islamic governance on customer trust and loyalty in Indonesian Islamic banking from 2017 to 2024, containing 640 titles/articles corresponding to 20 research topics. The research questions were formulated based on the demands of the research subject/topic. When formulating research questions regarding the impact of Islamic governance on Islamic bank client loyalty with trust as the mediating factor, emphasis should be placed on five elements referred to as PICOC: Population (P), the target group being investigated; Intervention (I), the particular aspect of interest to the researcher; Comparison (C), the element to be contrasted with the intervention; Outcomes (O), the consequences of the intervention; and Context (C), the background or setting of the investigation. (Wahono, 2015)

Table 1. PICOC

Population (P)	Shariah governance, Islamic bank customer loyalty, Islamic bank customer trust
Intervention (I)	Decreased loyalty and trust of Islamic bank customers is influenced by the implementation of shariah governance.
Comparison (C)	Implementation of shariah governance by Islamic banks
Outcomes (O)	Increased loyalty of Islamic bank customers
Context (C)	Increased Islamic bank customer loyalty through increased customer trust in Islamic banks with the implementation of shariah governance.

Furthermore, the research question (RQ) that will be answered in this SLR is determined, in the form of a list or table as presented in Table 2.

Table 2. Research Question

RQ	Research Question	Motivation/objectives/benefits
RQ1	What analytical methods and techniques are used?	Identification of analysis methods and techniques
RQ2	Has Islamic banking in Indonesia implemented shariah governance practices?	Identifying the practice of shariah governance in Indonesian Islamic banking
RQ3	Is the practice of Shariah governance able to increase the trust and loyalty of Islamic banking customers in Indonesia?	Identifying shariah governance practices in increasing the trust and loyalty of Islamic bank customers

The search strategy used in Systematic literature review (SLR) includes various steps, including selection of digital libraries, formulation of search queries, execution of the search, refinement of the query, and retrieval of an initial compilation of significant studies matching the query from the selected digital libraries. Before starting the search, it is important to carefully select the right set of databases to increase the probability of finding highly relevant articles. Dominant literature databases in a domain are usually prioritized for their extensive study collections.

Search process, referring to the search for data or articles essential for this particular study, involves accessing information through the google scholar platform at <https://scholar.google.co.id/> using the Publish or Perish (PoP) software to facilitate the search for the required journals. Furthermore, a query for journals was conducted by entering the keywords “shariah governance,” “customer loyalty,” and “customer trust,” resulting in a total of 640 articles published between 2017 and 2024. These inclusion and exclusion criteria are to determine whether or not the data are eligible for use in this study with the help of a web-based application <https://app.covidence.org/reviews/active>. The following criteria are eligible in this study:

1. Articles used in the range of 2017-2024
2. Articles were obtained from the source <https://scholar.google.co.id/>.
3. The articles used are only about shariah governance, customer loyalty, and customer trust.
4. Articles used are only quantitative research.
5. The object of research is only Islamic bank customers

Articles with qualitative research methods are not included for review because they are not relevant to the established research question, which is about testing influence. The main focus of this research is to identify patterns, trends, and gaps in the literature using comparable and reproducible data and data synthesis to answer the established research question.

Selected primary studies were extracted and data collected to answer the research questions. Next, a quality assessment was conducted to aid in the understanding of the synthesized results and evaluate the robustness of the stated conclusions. The purpose of data synthesis was to aggregate evidence from the selected studies to respond to the research questions. This process involved grouping data with similar extraction results based on the outcomes measured to meet the research objectives. After the application of the inclusion and exclusion criteria for the research journals, the journals that met the set criteria were collated, and a summary was generated containing details such as the researcher's name, year of publication, study title, methodology, and summary of findings.

After completing the inclusion and exclusion procedures, out of a total of 640 articles reviewed by title and abstract, only 20 articles met the criteria, as depicted in the PRISMA diagram provided.

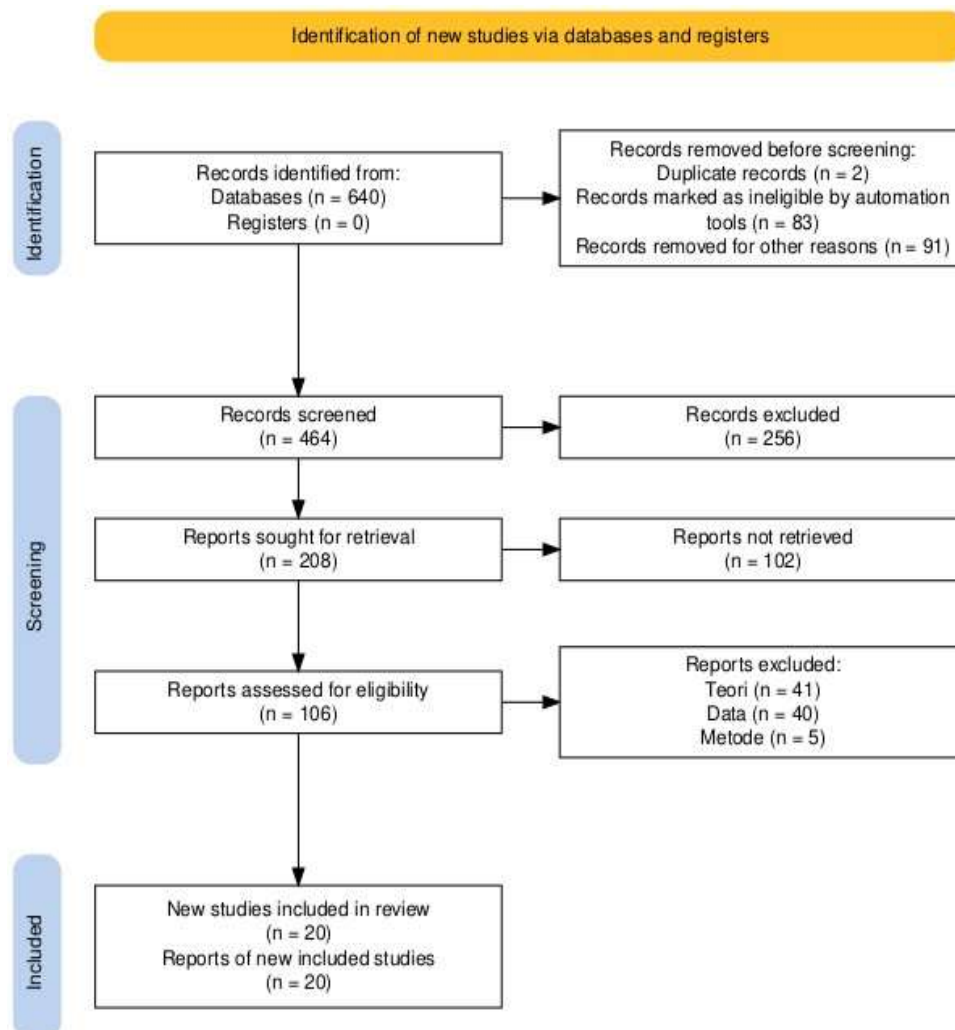


Figure 1. Article Selection Process with PRISMA Diagram

Study quality assessment serves as a valuable tool to guide the interpretation of synthesis findings and assess the robustness of conclusions drawn. The primary goal of data synthesis is to systematically assemble evidence from selected studies to answer a specific research question. While a single piece of evidence may have limited evidentiary power, the cumulative effect of multiple pieces can significantly strengthen the argument. The data collected during this review included both quantitative and qualitative data. The main focus of this study was to extract relevant information from the 20 articles selected to answer the research question at hand. The data extraction process was carefully designed to capture important information from key studies needed to address the research questions. The limitations of the SLR method used in this study include that research findings are often only relevant to specific research questions formulated in the protocol. This restricts the flexibility in applying the results to a broader context.

4. RESULTS AND DISCUSSION

The methodology for conducting the search as described in the previous discourse, sourced from the Google Scholar repository, yielded a total of 640 publications covering the years 2017 to 2024 relating to the subject of Islamic governance and customer loyalty. After applying the pre-defined inclusion and exclusion parameters, the final curation consisted of 20 articles deemed relevant to address the research investigation posed in this investigation, as described in the table below:

Table 3. Results of Inclusion and Exclusion Selection

No	Journal/Author	Title	Design / Indicators	Result
1	The Journal of Management Theory and Practice Edi Santoso Rashidah Binti Mohamad Ibrahim	The Effect of Sharia Compliance, Service Quality, Customer Trust, and Customer Satisfaction on Customer Loyalty of Islamic Rural Bank Customers in Indonesia (Santoso & Rashidah Binti Mohamad Ibrahim, 2022)	Quantitative. Sharia compliance, Service quality, Customer trust Customer satisfaction, Loyalty	Sharia compliance, Service quality, Customer trust Customer satisfaction berpengaruh terhadap Customer Loyalty
2	Maqdis: Jurnal Kajian Ekonomi Islam Lucky Enggrani Fitri Paulina Lubis Ary Dean Amri	The Determinants Of Customer Loyalty In Sharia Bank In Jambi With Islamic Approach. (Fitri et al., 2019)	Quantitative: SEM PLS Customer Perceived Value Customer Trust Satisfaction.	This study found that an exogenous latent variable Customer Perceived Value affects customer trust and satisfaction.
3	Jurnal Ekonomi Syariah Teori dan Terapan Siti Maisyaroh Aam Slamet Rusydiana Dewi Febriani	Zillennial Perceptions of Sharia Governance Implementation and Its Implications on the Reputation, Trust, and Loyalty of Islamic Banks. (Maysyaroh et al., 2024)	Quantitative: SEM PLS Sharia Governance Reputation Trust Loyalty	The results found that the influence of sharia governance significantly contributed to improving the reputation, trust and loyalty of Islamic banks.
4	Int. Journal of Economics and Management	Loyalty Intention towards Islamic Bank: The Role of Religiosity,	Quantitative: SEM PLS	The results of this study explanation on the direct effect of religiosity on

	Dwi Suhartanto Nuraeni Hadiati Farhani Muhammad Muflih Setiawan	Image, and Trust. (Suhartanto et al., n.d.)	Religiosity Loyalty Trust Image Islamic banks	loyalty. Besides direct effect, this study shows that the effect of religiosity on loyalty intention is mediated by trust and image Islamic banks.
5	Islamic Economic Studies Razali Haron Noradilah Abdul Subar Khairunisah Ibrahim	Service quality of Islamic banks: satisfaction, loyalty and the mediating role of trust (Haron et al., 2020)	Quantitative: SEM PLS Service Quality Satisfaction, Loyalty Trust	The study found positive service quality, customers' satisfaction, customers' loyalty and the mediating role of trust in enhancing customers' loyalty.
6	International Journal of Innovation, Creativity and Change Edi Santoso Wiyono, Rashidah Mohamad Ibrahim	The Influence of Sharia Compliance, Risk Perception and Service Quality on the Trust and Loyalty of Islamic Rural Bank Customers in Indonesia. (Wiyono & Ibrahim, 2020)	Quantitative Sharia compliance Risk Perceptions Service quality Trust Loyalty	Sharia compliance, risk perception and service quality significantly influences customer trust and Sharia compliance and risk perception affects customer loyalty. Service quality has no significant effect on customer loyalty
7	Management Science Letters Soengeng Wahyoedi Achmad Sudiro S. Sunaryo S. Sudjatno	The effect of religiosity, service quality, and trust on customer loyalty in islamic banking in Bogor Indonesia. (Wahyoedi, 2017)	Quantitative religiosity, service quality trust Loyalty	The results of the study indicated that religiosity, service quality, and satisfaction significantly directly affected loyalty
8	Jurnal Keuangan dan Perbankan Nadia Adriane Ricadonna Muhammad Saifullah Ari Kristin Prasetyoningrum ³	The effect of trust and brand image on customer retention with customer loyalty as intervening variables to customers of sharia commercial banks. (Ricadonna et al., 2021)	Quantitative: SEM PLS Trust brand image customer retention loyalty	he test results proved that trust, brand image, and customer loyalty positively and significantly affect customer retention in Islamic commercial banks
9	Jurnal Ilmu Ekonomi dan Bisnis Islam Nuriatullah Ishfaq Ahmed Ega Rusanti	Shariah Compliance, Customer Relationship Marketing, and Loyalty in Islamic Banking: The Role of Customer Satisfaction. (Nuriatullah et al., 2024)	Quantitative: SEM PLS Shariah Compliance, Customer Relationship Marketing, Customer Loyalty, Customer Satisfaction	The research findings indicate that Shariah Compliance has a significant positive relationship with Customer Loyalty, Customer Relationship Marketing has a significant positive relationship with Customer Loyalty, and Customer Satisfaction has a significant positive

				relationship with Customer Loyalty
10	Jurnal Ilmiah Manajemen Bisnis Dan Inovasi Universitas Sam Ratulangi Muh Fauzan Saputra Ferdi Antonio	The Influence of E-Service quality and trust on customer satisfaction and its impact on customer loyalty (An empirical study on online syariah banking in Indonesia) (Saputra & Antonio, 2021)	Quantitative: SEM PLS E-Servicequality Trust customer satisfaction customer loyalty	The result found that there are four dimensions that significantly influence customer satisfaction
11	European Journal of Business and Management Deny Danar Rahayu	The Influence of Service Quality and Customer Relationship Management on Customer Trust, Satisfaction and Loyalty in Islamic Banking in Pekanbaru City. (Rahayu, 2018)	Quantitative: SEM PLS Service Quality Customer Relationship Management Customer Trust, Satisfaction Loyalty	The result found that there are four dimensions that significantly influence customer loyalty
12	Jurnal Ekonomi dan Keuangan Islam M. Rafi Rezeki M. Shabri Abd. Madjid Salina Kassim	The effect of e-service quality on e-loyalty of Islamic banking customers: Does e-satisfaction act as mediator?. (Rezeki et al., 2023)	Quantitative: SEM PLS E-Service Quality, E-Trust, E- Loyalty	The result found that there are three dimensions that significantly influence customer loyalty
13	Al Qalam: Jurnal Ilmiah Keagamaan dan Kemasyarakatan Anjelisa Anjelisa, Indah Fatmawati, Nuryakin Nuryakin	The Effect of Islamic Service Quality on Customer Satisfaction and Loyalty in Islamic Banks in Indonesia. (Anjelisa et al., 2023)	Quantitative: SEM Islamic Service Quality, Customer Relationship Management, Customer Satisfaction, Customer Loyalty	quality of Islamic services and customer relationship management has a positive impact on customer happiness and loyalty. According to the study, customer satisfaction is vital in mediating the relationship between Islamic service quality, customer relationship management, and customer loyalty.
14	Jurnal Ilmiah Ekonomi Islam Rizal Ula Ananta Fauzi, Afriansyah Saputra, Isabelaindah Puspita Ningrum	The effect of religiosity, profit and loss sharing, and promotion on consumer intention to financing in Islamic bank toward trust as an intervening variable. (Fauzi et al., 2022)	Quantitative Religiosity, Profit Loss and Sharing, Promotion, Trust, Intention,	The results of this study are that Religiosity has no significant effect on interest in financing, while perceptions of profit sharing and promotions have a significant effect on interest in financing. Religiosity, perception of profit-sharing, and promotion significantly affect trust. Directly trust

				has a significant effect on interest in financing.
15	Airlangga International Journal of Islamic Economics and Finance Mochamad Bayhaqy, Dina Fitriasia Septiarini	2 Years After Mergers: Service Quality, Customer Satisfaction, And Customer Loyalty Of Bank Syariah Indonesia. (Bayhaqy & Septiarini, 2023)	Quantitative: SEM PLS Service Quality, Customer Satisfaction, Customer Loyalty	From this study, found a significant relationship between Service Quality with Customer Loyalty, Customer Satisfaction with Customer Loyalty, Service Quality with Customer Satisfaction, and Service Quality with Customer Loyalty through the intervention of Customer Satisfaction
16	The Asian Journal of Professional and Business Studies Novita Angraini Zulfanetti Nurida Isnaeni	The Influence Of Islamic Financial Literacy, Religiosity, And Service Quality On The Decision To Save at Islamic Banks with Trust as an Intervening Variable in ... (Novita Angraini et al., 2024)	Quantitative: SEM PLS Sharia Financial Literacy, Religiosity, Service Quality, Trust, Saving Decisions	The results of this study indicate that Sharia financial literacy, religiosity, and service quality have a positive and significant effect on customer trust in Islamic banks in Jambi Province. Sharia financial literacy and service quality positively and significantly affect customer decisions to save at Islamic banks in Jambi Province
17	Journal of Academic Research and Sciences Khoirunnisa Azzahra	The Influence of Intellectual Capital and Sharia Compliance to The Banking Financial Performance in Indonesia. (Azzahra, 2020)	Quantitative Intellectual Capital Sharia Compliance The Banking Financial Performance	The result found that there are two dimensions that significantly influence the Banking Financial Performance
18	International Journal of Research in Business and Social Science Yohanes Michael Christanto Singgih Santoso	The influence of service quality, corporate image, and customer satisfaction on customer loyalty in banking sector in Yogyakarta. (Christanto & Santoso, 2022)	Quantitative: service quality, corporate image, customer satisfaction customer loyalty	The result shows that the variable of service quality, and corporate image, has a positive and significant effect on customer satisfaction and customer satisfaction has a positive and significant effect on customer loyalty. In contrast, service quality and the corporate image does not have a positive and significant effect on customer loyalty

19	TIFBR Tazkia Islamic Finance and Business Review Muhamad Dede Sulaeman Sigid Eko Pramono Saiful Anwar	The Effect Of Governance And Sharia Compliance Implementation Towards The Level Of Customer Trust In Islamic Bank. (Sulaeman et al., 2020)	Quantitative: SEM PLS Governance, Sharia Compliance, Consumer Trust,	he results presented that governance does not significantly affect the level of Islamic bank's customer trust, while conversely sharia compliance has a significant positive effect on the level of Islamic bank's customer trust.
20	At-Tijarah: Jurnal Ilmu Manajemen dan Bisnis Islam Denden Sukmara Afif Zaerofi Yono Haryono	The Impact of Sharia Compliance and Service Quality on Customer Loyalty with Religiosity as a Mediating Variable. (Zaerofi et al., 2022)	Quantitative: SEM PLS Sharia Compliance, Service Quality, Religiosity, Customer Loyalty.	The results of this research find that sharia compliance and religiosity partially impact on the loyalty but interestingly service quality has no significant influence on it. Furthermore, it is found that religiosity significantly mediates the influence of sharia compliance on the loyalty but does not mediate the impact of service quality on the customer loyalty.

Research Question 1: What are the analytical methods and techniques used?

Based on the findings of the systematic literature review conducted, it explains that the dominant research methodology employed by scholars is the quantitative paradigm accompanied by a wide array of statistical techniques, including multiple linear regression and, especially, Partial Least Square (PLS) structural equation modeling (SEM), using questionnaires as the primary means of data collection. The preference for using canonical methods in addition to structured questionnaire formats is attributed to several constraints faced by researchers such as financial limitations, the scope of the target population, and the duration of the study. The choice of statistical methodology varied and depended on the pre-determined research objectives. Notably, the results showed that the SEM statistical tool surpassed other analytical methods due to its comprehensive nature in evaluating and presenting insights into Islamic governance practices in the Indonesian Islamic banking domain. Interestingly, no examples of the use of qualitative or mixed methods methodologies were identified in the reviewed studies. As a result, there are potential avenues for future researchers to embrace qualitative and mixed methods strategies in their investigations to gain an in-depth understanding of Shariah governance practices within the Indonesian Shariah banking sector.

Research Question 2: Whether Islamic banking in Indonesia has implemented shariah governance practices?

Table 3 presented above addresses Research Question 2, which shows that the implementation of Islamic banking in Indonesia involves the application of shariah governance practices. These practices, employed by Islamic banking institutions in Indonesia, utilize various tools derived from the concepts of Good Corporate Governance (GCG) and shariah compliance. The notion of GCG

represents universal principles, while Shariah compliance embodies the principles of Shariah-compliant bank operations. According to Article 1 (6) of Bank Indonesia Regulation No. 8/4/PBI/2006 on the Implementation of Good Corporate Governance for Commercial Banks, good corporate governance entails the application of principles such as transparency, accountability, responsibility, independence, and fairness. The Indonesian banking GCG guidelines, as issued by the National Committee on Corporate Governance Policy (KNKCG), include five basic principles of good corporate governance implementation, namely transparency, accountability, responsibility, independence, and fairness. In Islamic teachings, these five core GCG principles are aligned with Islamic norms and values that guide the behavior and lifestyle of Muslims. Islam strongly emphasizes adherence to principles such as justice, balance, accountability, morals, honesty, trust, intelligence, transparency, independence, responsible freedom, professionalism, fairness, sharia militancy, management, leadership, faith, positive thinking, supervision, continuous organizational learning, and continuous improvement.

The implementation of GCG in Islamic banking is officially regulated by Bank Indonesia through the issuance of specific guidelines in Bank Indonesia Regulation (PBI) No.11/33/PBI/2013. This regulatory framework was established in response to the central bank's commitment to grow a strong and sustainable Islamic banking sector, safeguard stakeholders' interests, and enhance compliance with relevant legal provisions governing Islamic banking operations. Every banking activity conducted by these institutions mandates the implementation of GCG, as stipulated in Article 2 Paragraph 1 of the guidelines, which underscores the importance of upholding good corporate governance at all levels of the organization. The concept of GCG serves as a mechanism that aims to improve corporate performance by supervising and monitoring managerial practices, thereby ensuring accountability to stakeholders within the prescribed legal framework. In addition, GCG plays an important role in fostering a conducive environment conducive to sustainable growth and efficiency in the corporate landscape. Given its significance in fostering trust among the public and the international community, the adoption of GCG is considered essential for the development of sound banks. The main objective of GCG is to enhance the transparency of financial statements for all users of Islamic banking services. Shariah compliance, on the other hand, pertains to Islamic banks' adherence to Islamic principles in their operations. These financial institutions operate in accordance with Islamic sharia principles, adhering to Islamic financial regulations and practices. The rise of Islamic banking can be attributed to the growing preference within the Muslim community for financial activities that are aligned with the teachings of the Quran and Sunnah. Thus, ensuring compliance with sharia principles in managing customer funds is critical to the operational integrity of Islamic banks.

The results of this study show that banks have used certain indicators to implement Islamic governance, which are not used in studies that cover all existing indicators in Islamic banking. Consequently, there is an opportunity for future scholars to include all of these indicators in their studies to gain a more in-depth understanding of Islamic governance practices in Indonesian sharia, aiming to improve performance aligned with the conditions and culture of the organizational environment. In addition, the implementation process has not yet fully realized the essence of marketing, an important aspect in Islamic banking, as evidenced by the continuous presence of switchable customers, limited public knowledge and understanding of Islamic banking, and the remaining uncertainty regarding sharia compliance in the sector (Subakti, & Jannah, 2021). Therefore, it is imperative for Islamic banking to strategize to improve its performance through enhanced and efficient implementation of sharia governance. As per this study, it can be concluded that the comprehensive findings from the literature review indicate that Islamic banking

management already understands the importance of Islamic governance practices within their institutions, as it ensures improved Islamic banking performance.

Research Question 3: Are shariah governance practices able to increase the trust and loyalty of Islamic banking customers in Indonesia?

The primary objective of shariah governance is to improve customer retention. The findings of this comprehensive literature review indicate that effective shariah marketing strategies implemented by Islamic banks in Indonesia have successfully fostered customer loyalty directly and indirectly by intervening or moderating other driving factors. In addition, the results show that the practice of Islamic governance in Indonesian Islamic banking has proven to be effective, accounting for more than 50% of its impact. The establishment of Islamic governance, as evidenced by the Islamic governance metrics implemented by Islamic banks so far, has the ability to positively influence customer loyalty. A thriving company is one that can cultivate lasting relationships with its clients. These lasting relationships signify loyal customers whose needs and preferences are satisfactorily met.

Customer loyalty is critical to a company's survival and competitiveness. Building and maintaining customer loyalty requires a company's ongoing dedication to maintaining top quality in all its offerings, thereby fostering a strong perception of excellence among consumers (Utami et al., 2021). Satisfied and loyal customers serve as a gateway to acquiring new clients. In most cases, retaining all current customers proves to be more financially beneficial than dealing with customer turnover, as the costs involved in attracting new customers can be up to five times higher than retaining existing customers. Consumers who demonstrate loyalty will show a positive disposition towards the organization/company, resulting in recommending it to other customers and engaging in repeat purchases. In addition, loyalty can be fostered when satisfied customers share their experiences with other consumers through word-of-mouth communication. This type of communication includes positive feedback, recommendations to potential customers, and serves as an incentive to engage with the goods or service provider. Loyalty, in essence, can be defined as the tendency of consumers to make repeat purchases from the same company. Customer loyalty signifies a consumer's dedication to a particular product, brand, marketer, or service, leading to repeat transactions. It is a measure of how likely customers are to remain loyal over time by repeatedly purchasing and using goods and services, preferably only from the same company, while also endorsing the company's offerings to their peers. Scholars have described customer loyalty as a concept that encapsulates customer attitudes and behaviors. The attitudinal aspects of customer loyalty include the intention to repurchase or acquire more products or services from the same company, willingness to recommend the company to others, demonstrating commitment, and showing reluctance to switch to competitors. In contrast, the behavioral dimension of customer loyalty involves the act of repurchasing products or services, which includes purchasing additional and varied offerings from the same company, recommending the company to others, and demonstrating the likelihood of prolonged brand loyalty.

Evidently, customer loyalty manifests through intended behaviors related to the product, service, or company. For companies, such loyalty provides several advantages, such as reduced costs in retaining loyal customers compared to acquiring new ones, the readiness of loyal customers to pay premium prices for products or services, and the role of loyal customers as advocates through word-of-mouth marketing. Through research conducted by Metawa et al., it has been identified that customers' primary motivation for upholding a relationship with a Shariah-compliant bank is their adherence to Islamic principles. Customers choose to stay with an Islamic bank based on religious beliefs and ethical considerations regarding interest-based transactions for

Muslims. In a key finding of this study, Bank Indonesia asserted that certain clients who utilize the services of Sharia banks show a tendency to discontinue their patronage, mainly due to uncertainty regarding the consistent application of Sharia principles (BI, 2000). The Bank's compliance and adherence to Shariah principles is often scrutinized by clients. Clearly, this suggests that the implementation of Shariah-compliant banking practices has so far shown a lack of respect for Shariah principles, consequently contributing to reduced customer loyalty to Shariah-compliant financial institutions. Based on the exposition, it is argued that the impact of Islamic governance implementation extends to customer loyalty.

The implementation of Shariah governance in Islamic banking is likely to see an increased presence of diverse interventions or other relevant factors. These may stem from aspects such as trust, marketing strategies, level of satisfaction with services, product quality, value proposition, shariah compliance, among others. This is due to the fact that, despite the correlation between relational marketing as demonstrated by its various metrics and the impact of individual traits (demographic, social, income, and knowledge) that specifically enhance the influence of trust on loyalty. Consequently, a stronger sense of trust built between clients and Islamic banks can foster greater loyalty. The dynamic between trust and individual characteristics has been shown to increase loyalty. Therefore, it becomes imperative for Islamic banking to delve deeper into variables beyond the realm of sharia governance. Indeed, all efforts and designed frameworks will inevitably affect customer loyalty. Moreover, some customers who engage with Shariah-compliant financial entities show a tendency to discontinue their patronage, partly due to uncertainty regarding the consistent application of Shariah principles. This implicitly suggests that the operational practices of Islamic financial institutions have so far paid limited attention to Shariah principles, both in terms of customer value and the quality of their Shariah-compliant products. Such circumstances are poised to hinder the progress of Islamic banks, a fact highlighted by Muhammad Dede Sulaiman, et al, who underline the persistent low growth in Islamic banks' clients. The little growth in the number of Islamic bank clients is due to the weak loyalty shown by these clients, a sentiment echoed by Muhammad Dede Sulaiman, et al, who pointed out that only 33.75% of Islamic bank clients show loyalty through willingness to make repeat purchases and recommend the institution to others. Trust emerged as an important factor in customer loyalty; confident customers are more likely to refer others to become clients of the bank. Overall, Islamic governance practices in Islamic banking in Indonesia have encouraged customer loyalty, and improvements in Islamic governance are poised to increase the level of loyalty of Islamic bank clients. This underscores the need for Islamic banking to diligently improve its performance across various domains, given the diverse perspectives among customers when evaluating Islamic banking performance.

From the results of the answers to the three research questions (RQ) in this systematic literature review, there are opportunities for further research to examine the effect of the implementation of shariah governance on customer loyalty with trust as a mediating variable with mixed methods and structural equation modeling smart partial least square (SEM PLS) as an analysis technique.

5. CONCLUSION

The systematic literature review study reveals that Islamic banking in Indonesia has implemented shariah governance practices, which are based on the principles of good corporate governance (GCG) and sharia compliance. These practices aim to increase customer loyalty by fostering trust through effective marketing practices in Islamic banks. The study found that these practices have been successful in fostering customer loyalty both directly and indirectly through mediation or moderation of other driving factors.

The use of statistical analysis techniques such as multiple linear regression analysis and Partial Least Square (PLS) structural equation modeling (SEM) with questionnaires as data collection instruments was used. The choice of statistical analysis methods varied based on the research objectives. SEM statistical analysis tools proved to be more advantageous than other analytical techniques due to their comprehensive nature in examining and providing insights into Islamic governance practices in the Indonesian Islamic banking sector.

Islamic governance is aimed at improving customer retention, and the results of this comprehensive literature review highlight the effectiveness of Islamic marketing practices in fostering customer loyalty. Islamic governance indicators implemented by Islamic banking institutions have been shown to significantly influence customer loyalty. A prosperous business entity is one that manages to forge lasting relationships with its clients, characterized by loyalty driven by fulfilling their needs and aspirations.

REFERENCES

- Abdullaev, A., Juliana, J., & Bekimbetova, G. (2023). Investigating the Feasibility of Islamic Finance in Uzbekistan: Survey Results. *Review of Islamic Economics and Finance*, 6(1), 63-74.
- Abror, A., Patrisia, D., Engriani, Y., Evanita, S., Yasri, Y., & Dastgir, S. (2019). Service quality, religiosity, customer satisfaction, customer engagement and Islamic bank's customer loyalty. *Journal of Islamic Marketing*, 11(6), 1691–1705. <https://doi.org/10.1108/JIMA-03-2019-0044>
- Anjelisa, A., Fatmawati, I., & Nuryakin, N. (2023). Measuring the Effect of Islamic Service Quality, Customer Relationship Management, Customer Satisfaction, and Loyalty in Indonesian Islamic Banking. *Al Qalam: Jurnal Ilmiah Keagamaan Dan Kemasyarakatan*, 17(5), 3001. <https://doi.org/10.35931/aq.v17i5.2615>
- Azzahra, K. (2020). The Influence Of Intellectual Capital And Sharia Compliance To The Banking Financial Performance In Indonesia. *JARES (Journal of Academic Research and Sciences)*, 5(1), 14–26. <https://doi.org/10.35457/jares.v5i1.900>
- Barbara Kitchenham & Stuart M. Charters. (2007). *Guidelines for performing Systematic Literature Reviews in Software Engineering*. Department of Computer Science University of Durham.
- Bayhaqy, M., & Septiarini, D. F. (2023). 2 Years After Mergers: Service Quality, Customer Satisfaction, And Customer Loyalty Of Bank Syariah Indonesia. 6(1).
- Chapra, M. U., & Ahmed, H. (n.d.). *Corporate Governance In Islamic Financial Institutions*.

- Fauzi, R. U. A., Saputra, A., & Ningrum, I. P. (2022). The Effect of Religiosity, Profit and Loss Sharing, and Promotion on Consumer Intention to Financing in Islamic Bank toward Trust as an Intervening Variable. *Jurnal Ilmiah Ekonomi Islam*, 8(1), 274. <https://doi.org/10.29040/jiei.v8i1.4136>
- Fitri, L. E., Lubis, P., & Amri, A. D. (2019). The Determinants Of Customer Loyalty In Sharia Bank In Jambi With Islamic Approach. *Maqdis : Jurnal Kajian Ekonomi Islam*, 4(2), 129. <https://doi.org/10.15548/maqdis.v4i2.251>
- Haron, R., Abdul Subar, N., & Ibrahim, K. (2020). Service quality of Islamic banks: Satisfaction, loyalty and the mediating role of trust. *Islamic Economic Studies*, 28(1), 3–23. <https://doi.org/10.1108/IES-12-2019-0041>
- Juliana, J., Nurhaliza, F., Hermawan, R., & Marlina, R. (2023a). Bank Syariah Indonesia Customer Loyalty after Merger: Analysis of Trust, Service Quality, Religiosity, and Corporate Image. *Jurnal Ekonomi Syariah Teori dan Terapan*, 10(1).
- Juliana, F., Al-Adawiyah, R. A., Marlina, R., & Hamdani, D. (2022). Analisis determinasi pembiayaan bermasalah pada bank umum syariah di Asia Tenggara. *Ekspansi: Jurnal Ekonomi, Keuangan, Perbankan dan Akuntansi*, 14(1), 59-71.
- Juliana, J., Mahri, A.J.W., Nasim, A., Ramadhan, R., Permana, E. (2023b) Sharia Compliance Implementation In Saving With Rewards. Indonesian Journal of Islamic Business and Economics (IJIBE), [S.l.], v. 5, n. 1, p. 68-86, doi: <https://doi.org/10.32424/1.ijibe.2023.5.1.9757>.
- Kaabachi, S., & Obeid, H. (2016). Determinants of Islamic banking adoption in Tunisia: Empirical analysis. *International Journal of Bank Marketing*, 34(7), 1069–1091. <https://doi.org/10.1108/IJBM-02-2015-0020>
- Maysyaroh, S., Rusydiana, A. S., & Febriani, D. (2024). Zillennial Perceptions of Sharia Governance Implementation and Its Implications on the Reputation, Trust, and Loyalty of Islamic Banks. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 11(1), 105–120. <https://doi.org/10.20473/vol11iss20241pp105-120>
- Metawa, S. A., & Almosawi, M. (1998). Banking behavior of Islamic bank customers: Perspectives and implications. *International Journal of Bank Marketing*, 16(7), 299–313. <https://doi.org/10.1108/02652329810246028>
- Morgan, R. M., & Hunt, S. D. (1994). The Commitment-Trust Theory of Relationship Marketing. *Journal of Marketing*, 58(3), 20–38. <https://doi.org/10.1177/002224299405800302>
- Mulia, D., Usman, H., & Parwanto, N. B. (2021). The role of customer intimacy in increasing Islamic bank customer loyalty in using e-banking and m-banking. *Journal of Islamic Marketing*, 12(6), 1097–1123. <https://doi.org/10.1108/JIMA-09-2019-0190>
- Novita Angraini, Zulfanetti, & Nurida Isnaeni. (2024). The Influence Of Islamic Financial Literacy, Religiosity, And Service Quality On The Decision To Save at Islamic Banks with Trust as an Intervening Variable in Jambi Province. *The Asian Journal of Professional & Business Studies*, 5(1). <https://doi.org/10.61688/ajpbs.v5i1.307>
- Nuraini, A., Monoarfa, H., & Juliana, J. (2024). Perkembangan Literasi Keuangan Islam: Studi Bibliometrik. *Jurnal Akuntansi dan Keuangan Islam*, 12(1), 5-18.

- Nuriatullah, Ahmed, I., & Rusanti, E. (2024). Shariah Compliance, Customer Relationship Marketing, and Loyalty in Islamic Banking: The Role of Customer Satisfaction. *Jurnal Ilmu Ekonomi Dan Bisnis Islam*, 6(1), 54–72. <https://doi.org/10.24239/jiebi.v6i1.281.54-72>
- Putri, T. N. C., & Sukmaningrum, P. S. (2023). Factors Affecting Financing Distribution of Sharia Commercial Banks in Indonesia. *Review of Islamic Economics and Finance (RIEF)*, 6(2), pp. 119-138
- Rahayu, D. D. (2018). *The Influence of Service Quality and Customer Relationship Management on Customer Trust, Satisfaction and Loyalty in Islamic Banking in Pekanbaru City*.
- Rezeki, M. R., Majid, M. S. Abd., & Kassim, S. H. (2023). The effect of e-service quality on e-loyalty of Islamic banking customers: Does e-satisfaction act as mediator? *Jurnal Ekonomi & Keuangan Islam*, 228–245. <https://doi.org/10.20885/JEKI.vol9.iss2.art6>
- Ricadonna, N. A., Saifullah, M., & Prasetyoningrum, A. K. (2021). The Effect of Trust and Brand Image on Customer Retention with Customer Loyalty as Intervening Variables to Customers of Sharia Commercial Banks. *Jurnal Keuangan Dan Perbankan*, 25(2), 311–323. <https://doi.org/10.26905/jkdp.v25i2.5145>
- Saeed, A. (1996). *Menyoal Bank Syariah*. Paramadina.
- Santoso, E. & Rashidah Binti Mohamad Ibrahim. (2022). The Effect of Sharia Compliance, Service Quality, Customer Trust, and Customer Satisfaction on Customer Loyalty of Islamic Rural Bank Customers in Indonesia. *The Journal of Management Theory and Practice (JMTP)*, 3(2), 1–6. <https://doi.org/10.37231/jmtp.2022.3.2.218>
- Saputra, M. F., & Antonio, F. (2021). The Influence Of E-Servicequality And Trust On Customer Satisfaction And Its Impact On Customer Loyalty (An Empirical Study On Online Syariah Banking In Indonesia). *JMBI UNSRAT (Jurnal Ilmiah Manajemen Bisnis Dan Inovasi Universitas Sam Ratulangi)*, 8(1). <https://doi.org/10.35794/jmbi.v8i2.35163>
- Subakti, H., & Jannah, N. (2021). Implementation of Sharia Principles in Murabahah Contracts at KCP Bank Muamalat. *Review of Islamic Economics and Finance*, 5(1), pp. 69-78.
- Suhartanto, D., Farhani, N. H., & Muflih, M. (n.d.). *Loyalty Intention towards Islamic Bank: The Role of Religiosity, Image, and Trust*.
- Suhartanto, D., Gan, C., Sarah, I. S., & Setiawan, S. (2019). Loyalty towards Islamic banking: Service quality, emotional or religious driven? *Journal of Islamic Marketing*, 11(1), 66–80. <https://doi.org/10.1108/JIMA-01-2018-0007>
- Sulaeman, M. D., Pramono, S. E., & Anwar, S. (2020). *The Effect of Governance and Sharia Compliance Implementation Towards the Level of Customer Trust in Islamic Banks*. 14.
- Tamalasari, Y. (2016). *Pengaruh Sharia Compliance Terhadap Market Share Bank Syariah*. Universitas Muhammadiyah Suarakarta.
- Utami, S. A., Rohmana, Y., Firmansyah, F., & Hermawan, R. (2021). The Performance of Islami Banking Based on Sharia Maqaihid (SMI). *Jurnal of Review of Islamic Economics and Finance*, 4(2), pp. 99-116.

- Wahono, R. S. (2015). A Systematic Literature Review of Software Defect Prediction: Research Trends, Datasets, Methods and Frameworks. *Journal of Software Engineering*, 1(1).
- Wahyoedi, S. (2017). *The Effect of Religiosity, Service Quality, and Trust on Customer Loyalty in Islamic Banking in Bogor Indonesia*. 6.
- Wijaya, T., Nasuka, M., & Hidayat, A. (2022). Salesperson ethics behavior as antecedent of Islamic banking customer loyalty. *Journal of Islamic Marketing*, 13(7), 1535–1550. <https://doi.org/10.1108/JIMA-04-2020-0100>
- Wiyono, E. S., & Ibrahim, R. M. (2020). The Influence of Sharia Compliance, Risk Perception and Service Quality on the Trust and Loyalty of Islamic Rural Bank Customers in Indonesia. *International Journal of Innovation*, 13(1).
- Zaerofi, A., Sukmara, D., & Haryono, Y. (2022). The Impact of Sharia Compliance and Service Quality on Customer Loyalty with Religiosity as a Mediating Variable. *At-Tijaroh: Jurnal Ilmu Manajemen Dan Bisnis Islam*, 8(2), 272–293. <https://doi.org/10.24952/tijaroh.v8i2.6043>