

## THE IMPACT OF DIGITAL BANKING ON CUSTOMER LOYALTY IN ISLAMIC BANKS IN INDONESIA

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**Abstract:** This study examines how digital banking influences customer loyalty in Islamic banks in Indonesia, where technology adoption must comply with Shariah principles. Using a mixed-methods design, data were collected from a survey of 500 customers and interviews with 30 respondents. Regression analysis shows that digital banking adoption has a significant positive effect on loyalty, with service quality, ease of use, transaction security, and accessibility emerging as the strongest drivers. The results also highlight the unique role of Shariah compliance and ethical practices in building trust and sustaining customer relationships. Younger generations, particularly millennials and Gen Z, demonstrated stronger loyalty toward banks offering seamless mobile applications and personalized digital services.

The findings contribute to the literature by extending the study of digital banking beyond conventional finance and into the underexplored Islamic banking sector. Practically, the study suggests that Islamic banks must integrate advanced digital features with Shariah-compliant values to secure long-term loyalty. Investment in cybersecurity, user experience, and innovative ethical financial products will be critical for achieving sustainable competitive advantage in the digital era.

**Keywords:** digital banking, customer loyalty, Islamic banks, Shariah compliance, Indonesia

**Abstrak:** Penelitian ini mengkaji pengaruh perbankan digital terhadap loyalitas nasabah pada bank syariah di Indonesia, di mana adopsi teknologi harus selaras dengan prinsip syariah. Dengan desain mixed methods, data diperoleh melalui survei terhadap 500 nasabah dan wawancara mendalam dengan 30 responden. Hasil regresi menunjukkan bahwa penggunaan perbankan digital berpengaruh positif signifikan terhadap loyalitas, dengan kualitas layanan, kemudahan penggunaan, keamanan transaksi, dan aksesibilitas sebagai faktor utama. Selain itu, kepatuhan syariah dan praktik etis terbukti memainkan peran penting dalam membangun kepercayaan dan menjaga hubungan jangka panjang dengan nasabah. Generasi muda, khususnya milenial dan Gen Z, menunjukkan loyalitas yang lebih tinggi pada bank yang menawarkan aplikasi mobile yang mudah diakses dan layanan digital yang dipersonalisasi.

Temuan ini memperluas literatur perbankan digital dengan menyoroti konteks perbankan syariah yang masih jarang diteliti. Secara praktis, penelitian ini menekankan bahwa bank syariah perlu mengintegrasikan fitur digital modern dengan nilai-nilai kepatuhan syariah untuk membangun loyalitas berkelanjutan. Investasi pada keamanan siber, pengalaman pengguna, serta produk keuangan etis yang inovatif menjadi kunci untuk memperoleh keunggulan kompetitif berkelanjutan di era digital.

**Kata Kunci:** Perbankan digital, loyalitas nasabah, bank syariah, kepatuhan syariah, Indonesia.

### Introduction

Digital banking has transformed the global financial landscape by digitizing traditional services, including online banking, mobile applications, and ATMs, thereby enhancing accessibility and

efficiency (McKinsey, 2021)<sup>1</sup>. In Indonesia, digital banking adoption has accelerated in the past decade, supported by rapid internet penetration and widespread use of mobile technology (Anam et al., 2025)<sup>2</sup>. The Financial Services Authority of Indonesia (OJK, 2022)<sup>3</sup> reported that nearly 70% of the population had internet access in 2022, with over 50 million mobile banking users.

For Islamic banks, which operate under Shariah principles, digital transformation offers both opportunities and challenges. On one hand, Shariah-compliant digital products allow banks to serve tech-savvy Muslim customers without compromising religious values (Hassan & Lewis, 2020)<sup>4</sup>. On the other hand, maintaining compliance and building trust in a competitive market requires careful integration of technology and ethical principles. In this context, customer loyalty becomes a strategic asset (Mauliansyah, 2024)<sup>5</sup>.

Customer loyalty, defined as a customer's commitment to repurchase or continue using a service, is particularly critical for Islamic banks in Indonesia's competitive financial sector (Kumar & Shah, 2020)<sup>6</sup>. Loyal customers tend to be less sensitive to price changes, more satisfied with services, and more likely to recommend their banks to others, thereby strengthening market presence. Trust and alignment with ethical values are key drivers of loyalty in Islamic banking (Oliver, 2019)<sup>7</sup>. Reflecting this, the market share of Islamic banks in Indonesia has steadily grown to around 10% of the national banking industry (Bank Indonesia, 2022)<sup>8</sup>.

This study seeks to analyze how digital banking influences customer loyalty in Islamic banks in Indonesia. Specifically, it investigates three interrelated aspects: (1) the overall impact of digital banking on customer loyalty, (2) the digital features that most influence loyalty, and (3) the role of cultural and religious values in shaping customer perceptions. Prior studies indicate that usability, personalization, and security are decisive factors in customer satisfaction with digital banking services (Statista, 2023)<sup>9</sup>. By situating this analysis within the Indonesian Islamic banking context, the study contributes to the broader discourse on digital transformation in Shariah-compliant finance.

The central research questions are therefore: How does digital banking influence customer loyalty in Islamic banks? Which digital features are most critical for fostering loyalty? And how do cultural and religious factors mediate this relationship? Addressing these questions is crucial for Islamic banks seeking to strengthen competitiveness, build sustainable customer relationships, and ensure alignment with Shariah values in the digital era.

## Methods

This study employed a mixed-methods design, combining surveys and interviews to examine how digital banking affects customer loyalty in Islamic banks. Surveys provided quantitative data on

- <sup>1</sup> McKinsey & Company. (2021). The future of banking: Digital transformation in the financial services industry. McKinsey & Company.
- <sup>2</sup> Anam, B. S., Mauliansyah, H., Umma, Y. M., & Fitri, A. (2025). The Effect of Financial Literacy and QRIS Usage on MSME Financial Report Quality. *Jurnal Humaniora: Jurnal Ilmu Sosial, Ekonomi dan Hukum*, 9(2), 475-488.
- <sup>3</sup> OJK. (2022). Laporan tahunan OJK 2022. Otoritas Jasa Keuangan.
- <sup>4</sup> Hassan, K., & Lewis, M. K. (2020). *Islamic banking: Principles and practice*. Routledge.
- <sup>5</sup> Mauliansyah, H., Adnan, H., Nasron, R., & Azril, M. (2025). Community understanding and trust in Sharia financial institutions: Impact on economic growth in Aceh. *Jurnal Humaniora: Jurnal Ilmu Sosial, Ekonomi dan Hukum*, 9(2), 524-533.
- <sup>6</sup> Kumar, V., & Shah, D. (2020). Building and sustaining profitable customer loyalty for the 21st century. *Journal of Retailing*, 96(2), 171–184.
- <sup>7</sup> Oliver, R. L. (2019). A cognitive model of the antecedents and consequences of satisfaction decisions. *Journal of Marketing Research*, 17(4), 460–469.
- <sup>8</sup> Bank Indonesia. (2022). *Statistik Perbankan Syariah Indonesia*. Bank Indonesia.
- <sup>9</sup> Statista. (2023). *Banking in Indonesia - Statistics & facts*. Statista.

satisfaction, frequency of use, and loyalty indicators, while interviews offered qualitative insights into customer trust, convenience, and perceptions of Sharia compliance. The integration of both approaches ensured data triangulation and enhanced validity (Creswell & Plano Clark, 2018)<sup>10</sup>.

The research focused on Islamic banks regulated by the Financial Services Authority (OJK), particularly those with advanced digital platforms. From 14 licensed institutions, selected banks represented both established and emerging players (OJK, 2023)<sup>11</sup>. The target population comprised customers who had used digital services within the past year, with emphasis on the 18–45 age group, the majority of bank users in Indonesia (BPS, 2023)<sup>12</sup>.

A stratified random sampling method was applied to capture demographic and behavioral diversity. Surveys were distributed electronically, while interviews were conducted with a subset of participants. Instruments were refined through a pilot study and adapted from validated sources (Dillman et al., 2014)<sup>13</sup>. Ethical standards, including informed consent and data confidentiality, were strictly followed.

Quantitative data were analyzed with SPSS using descriptive statistics and regression models to assess the relationship between digital banking usage and loyalty (Alalwan et al., 2017)<sup>14</sup>. Qualitative data were thematically coded with NVivo, revealing recurring factors such as service quality, trust, and ease of use. The integration of findings provided a comprehensive view of digital banking's role in strengthening loyalty in Islamic banks.

## Results and Discussion

The survey of 500 Islamic bank customers in Indonesia revealed a strong association between digital banking services and customer loyalty. Nearly 78% reported higher satisfaction due to digital platforms, while regression analysis showed that a one-point improvement in service quality increased loyalty by 0.65 points on a ten-point scale (Research Institute of Indonesia, 2023)<sup>15</sup>. These findings demonstrate that digital services are not supplementary but essential to sustaining customer retention in the digital economy.

Qualitative interviews with 30 respondents enriched these insights. Customers consistently emphasized ease of use, transaction security, and Shariah compliance as central to their loyalty. Mobile applications that enable quick access and fund transfers fostered convenience, while strong security measures built trust. Importantly, customers expected features that align with Islamic principles, such as transparency and ethical investment options (Halim et al., 2023)<sup>16</sup>.

Further analysis confirmed that ease of use (85%), security (90%), and accessibility (70%) were the most influential features (Bank Indonesia, 2023). Correlation analysis revealed strong links between ease of use ( $r = 0.72$ ), security ( $r = 0.68$ ), and loyalty. Bank Syariah Indonesia's 20%

<sup>10</sup> Creswell, J. W., & Plano Clark, V. L. (2018). *Designing and conducting mixed methods research* (3rd ed.). Sage.

<sup>11</sup> OJK (Otoritas Jasa Keuangan). (2023). *Annual report on Islamic banking in Indonesia*. <https://www.ojk.go.id>

<sup>12</sup> BPS (Badan Pusat Statistik). (2023). *Statistical yearbook of Indonesia 2023*. <https://www.bps.go.id>

<sup>13</sup> Dillman, D. A., Smyth, J. D., & Christian, L. M. (2014). *Internet, phone, mail, and mixed-mode surveys: The tailored design method* (4th ed.). Wiley.

<sup>14</sup> Alalwan, A. A., Dwivedi, Y. K., & Rana, N. P. (2017). Digital banking: A literature review and future research directions. *Journal of Banking & Finance*, 106, 1–15.

<sup>15</sup> Research Institute of Indonesia. (2023). *Survey on customer satisfaction in Islamic banking*. Research Institute of Indonesia.

<sup>16</sup> Halim, A., et al. (2023). User experience in Islamic digital banking: A qualitative approach. *International Journal of Islamic Finance*, 12(1), 45–67.

increase in digital users following the redesign of its mobile platform underscores the practical impact of investing in usability and security (Koran Tempo, 2023)<sup>17</sup>.

Cultural and religious values also played a decisive role. Many customers reported greater confidence in banks that adhered to Islamic principles, noting that Shariah compliance enhanced their trust and strengthened loyalty (Mauliansyah et al., 2025)<sup>18</sup>. Thus, Islamic banks must integrate technological excellence with ethical and cultural alignment to sustain competitiveness.

These findings extend existing literature, which has largely focused on conventional banks (Ali & Rahman, 2023)<sup>19</sup>, by highlighting the unique interplay between digital features and Islamic values in shaping loyalty. However, reliance on self-reported data and limited demographic representation remain potential limitations (Prasetyo, 2023)<sup>20</sup>. Future research should employ longitudinal methods and explore emerging technologies—such as artificial intelligence and blockchain—to better understand evolving loyalty dynamics in Islamic banking.

## Conclusion

This study confirms that digital banking significantly strengthens customer loyalty in Indonesia's Islamic banks. Convenience, efficiency, and Sharia-compliant features, such as mobile Zakat services, have enhanced satisfaction and reinforced trust (Bank Indonesia, 2022; Khan & Bhatti, 2019)<sup>21</sup>. Younger customers—especially millennials and Gen Z—show stronger loyalty toward digital platforms, with 82% preferring digital services for their usability and innovation (Indonesian Fintech Association, 2023)<sup>22</sup>.

Security remains a decisive factor, as 68% of customers prioritize robust protections (OJK, 2022)<sup>23</sup>. Banks investing in cybersecurity, such as Bank Syariah Indonesia, achieved measurable increases in retention. Likewise, personalized services enabled by data analytics—illustrated by Bank Muamalat's targeted campaigns—have driven engagement and loyalty.

This study contributes to the discourse by linking digital transformation with Sharia principles, filling a gap in prior research on Islamic banking. It highlights that demographic shifts, innovation, security, and personalization are central to sustaining competitiveness.

Looking ahead, rising internet penetration (77% in 2023; APJII, 2023)<sup>24</sup>, alongside emerging technologies like AI, blockchain, and fintech collaborations, will further shape loyalty. Continuous education on digital banking is also vital to build confidence. By aligning technology with Islamic values, Islamic banks can secure long-term trust, market relevance, and growth.

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<sup>17</sup> Koran Tempo. (2023). Bank Syariah Indonesia reports significant growth in digital users. Koran Tempo. <https://www.korantempo.co.id>

<sup>18</sup> Mauliansyah, H., Adnan, H., Nasron, R., & Azril, M. (2025). Community understanding and trust in Sharia financial institutions: Impact on economic growth in Aceh. *Jurnal Humaniora: Jurnal Ilmu Sosial, Ekonomi dan Hukum*, 9(2), 524-533.

<sup>19</sup> Ali, M., & Rahman, S. (2023). Digital banking and customer loyalty: Evidence from conventional banks. *Journal of Banking and Finance*, 45(2), 123-135.

<sup>20</sup> Prasetyo, H. (2023). Methodological challenges in banking research. *Journal of Financial Research*, 29(4), 234-250.

<sup>21</sup> Bank Indonesia. (2022). Annual report on digital banking trends in Indonesia.

<sup>22</sup> Indonesian Fintech Association. (2023). Survey on digital banking preferences among young consumers.

<sup>23</sup> OJK. (2022). Cybersecurity in the banking sector. Financial Services Authority of Indonesia.

<sup>24</sup> APJII. (2023). Indonesia internet user penetration survey. Indonesian Internet Service Providers Association.

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