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Service Quality and Customer Loyalty in Islamic Banking: A Systematic Literature Review of the Mediating Role of Customer Satisfaction

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Abstract
Customer loyalty remains a critical challenge for Islamic banks in an increasingly competitive and digitalized financial environment. Although service quality has been widely recognized as an important determinant of customer loyalty, previous studies have reported inconsistent findings regarding the direct relationship between service quality and customer loyalty. Therefore, this study aims to systematically review the existing literature on the relationship between service quality and customer loyalty in Islamic banking, with particular emphasis on the mediating role of customer satisfaction. This study employs a Systematic Literature Review approach by examining relevant international journal articles published between 2015 and 2025. The literature was identified from major academic databases, including Google Scholar, Scopus, Web of Science, Emerald Insight, and ScienceDirect, and selected based on predetermined inclusion and exclusion criteria. The selection process focused on studies discussing service quality, customer satisfaction, customer loyalty, and mediation in the context of Islamic banking. The findings indicate that service quality consistently has a positive influence on customer satisfaction, while customer satisfaction significantly contributes to customer loyalty. The review further reveals that customer satisfaction serves as the primary mechanism through which service quality affects customer loyalty. In addition, recent evidence highlights the growing importance of digital service quality and Sharia compliance in shaping customer satisfaction and loyalty. This study concludes that improving service quality alone is insufficient to strengthen customer loyalty unless it generates customer satisfaction. Therefore, Islamic banks should prioritize customer satisfaction as a strategic objective to build sustainable customer loyalty and maintain long-term competitiveness.

Keywords: Islamic banking, service quality, customer satisfaction, customer loyalty, mediation

Introduction

The Islamic banking industry faces increasingly tough competitive challenges in the global economy. In this environment, customer loyalty is a key determinant of Islamic banks' sustainability, but building loyalty is not easy. Various studies have shown that service quality is indeed important, but the direct relationship between service quality and customer loyalty is often inconsistent or even weak.

This phenomenon raises an important question: why aren't customers who receive quality service necessarily loyal? Research in Indonesia (Kadir et al., 2023) found that service quality has a positive effect on loyalty, but the effect is stronger when mediated by customer satisfaction and trust. Similar findings were reported by (Asnawi et al., 2019) in a study published in *Journal of Islamic Marketing*, which shows that customer satisfaction acts as a mediator between service quality and customer loyalty in Indonesian Islamic banks. This means that service quality must first create satisfaction before ultimately building loyalty (Ahmad & Husain, 2022). A study by (Husain et al., 2020) published in *Journal of Islamic Marketing* also emphasized that service quality, religiosity, and customer satisfaction together influence customer engagement and loyalty in Islamic banks.

Although numerous empirical studies have examined the relationship between service quality, satisfaction, and loyalty in Islamic banking, mixed results remain. Some studies report a strong direct effect, while others find that the direct effect is insignificant without the mediation of satisfaction. Research by (Al-hawari, 2022) in *Journal of Islamic Banking and Finance* The CARTER model dimensions in the context of Islamic banking in Palestine show that customer satisfaction mediates the relationship between service quality and customer loyalty. The findings from (Aquino et al., 2021) published in *Journal of Islamic Marketing* also confirms that in Islamic banking, service quality influences customer satisfaction, which in turn influences customer engagement and loyalty. This lack of consistency suggests the need for a systematic synthesis of the existing literature to understand the true relationship patterns.

Recent developments in Islamic banking indicate that customer loyalty is increasingly influenced by the integration of service quality, digital banking capabilities, and Sharia compliance. The rapid adoption of digital financial services has changed customer expectations, requiring Islamic banks not only to provide efficient services but also to ensure trust, transparency, and adherence to Islamic principles. Studies conducted in various Islamic banking markets demonstrate that customers tend to remain loyal when service encounters consistently generate positive experiences and satisfaction. Consequently, customer satisfaction has become a critical mechanism through which service quality can be translated into long-term customer loyalty (Ahmed et al., 2021; Albaity & Rahman, 2021; Fida et al., 2020).

Furthermore, recent empirical evidence suggests that the influence of service quality on loyalty is becoming more complex due to the emergence of electronic banking and mobile banking services. Customers evaluate service quality not only based on interpersonal interactions but also through the reliability, accessibility, responsiveness, and security of digital platforms. Islamic banks that successfully combine traditional service excellence with digital innovation are more likely to achieve higher customer satisfaction and stronger loyalty outcomes (Nurudin et al., 2025; Tetteh, 2022; Yusfiarto, 2021).

A systematic review by (Utami et al., 2023) on the relationship between customer satisfaction and loyalty from 23 relevant published articles confirmed that satisfaction does have a relationship and influence on loyalty, but this mediation mechanism still needs to be explored further in the specific context of Islamic banking. A bibliometric analysis conducted by (Zhang et al., 2024) and published in *Journal of Islamic Marketing* research on service quality and customer satisfaction in Islamic banking also shows that there is still a gap in research related to satisfaction mediation. There has been no systematic review specifically consolidating findings on the mediating role of satisfaction in the service quality loyalty relationship in Islamic banks.

Although previous studies have examined the relationship between service quality, customer satisfaction, and customer loyalty in Islamic banking, the findings remain fragmented and inconsistent. Some studies emphasize the direct effect of service quality on customer loyalty, while others show that this relationship becomes stronger when customer satisfaction is positioned as a mediating variable. This inconsistency indicates that the mechanism through which service quality influences customer loyalty has not been fully clarified in the Islamic banking context.

Therefore, a systematic literature review is needed to synthesize existing findings and provide a clearer understanding of the mediating role of customer satisfaction. Unlike previous empirical studies that focus on specific countries or samples, this review consolidates findings from various studies to identify common patterns, theoretical gaps, and practical implications. The contribution of this article lies in offering a structured synthesis of how service quality can build customer loyalty through customer satisfaction, particularly in Islamic banking, where service excellence, digital service quality, and Sharia compliance are important factors in maintaining long-term customer relationships.

This article conducts a systematic literature review to address this gap. The primary focus is on understanding how customer satisfaction mediates the relationship between service quality and customer loyalty in Islamic banking. This article aims to provide a clearer understanding of this mediation mechanism and provide practical implications for Islamic bank management in developing strategies to build customer loyalty.

Method

This study uses a Systematic Literature Review (SLR) approach to examine the relationship between service quality, customer satisfaction, and customer loyalty in Islamic banking. The literature was collected from several academic databases, including Google Scholar, Scopus, Web of Science, Emerald Insight, and ScienceDirect, using keywords such as service quality, Islamic banking, customer satisfaction, customer loyalty, mediation, and Islamic service quality. The articles reviewed were limited to publications from 2015 to 2025 and selected based on their relevance to the research focus. The inclusion criteria consisted of articles written in English, published in journals, and discussing the relationship between service quality, customer satisfaction, and customer loyalty in Islamic banking. Articles that were not relevant, duplicated, unavailable in full text, or did not discuss customer satisfaction as a mediating variable were excluded. The selected articles were then analyzed descriptively by identifying key themes, comparing findings, and synthesizing the role of customer satisfaction as a mediator between service quality and customer loyalty.

Results and Discussion

Characteristics of the Literature Reviewed

Based on a literature selection process, this study identified several international articles published between 2015 and 2025 that discussed the relationship between service quality, customer satisfaction, and customer loyalty in the context of Islamic banking. Most of the studies used a quantitative approach using Structural Equation Modeling (SEM) or Partial Least Squares (PLS-SEM) methods.

The research area is dominated by countries with strong Islamic banking industries, such as Indonesia, Malaysia, Pakistan, Palestine, Bangladesh, and several Middle Eastern countries. These findings indicate that customer loyalty remains a key concern in the development of the Islamic financial industry globally.

The Relationship Between Service Quality and Customer Satisfaction

The synthesis results demonstrate consistent findings that service quality has a positive influence on customer satisfaction. Nearly all articles analyzed concluded that improving service quality would increase customer satisfaction levels.

The dimensions of reliability, responsiveness, assurance, empathy, tangibles, and compliance are the aspects most frequently found to influence customer satisfaction. In the context of Islamic banking, the compliance dimension plays a crucial role because it is directly related to customer trust in the implementation of Islamic principles.

Findings (Abror et al., 2019; Aquino et al., 2021; Husain t al., 2020) show that customers who rate the quality of Islamic banking services as high tend to have a better level of satisfaction than customers who have less satisfactory service experiences.

The Relationship Between Customer Satisfaction and Customer Loyalty

The study also showed that customer satisfaction is a very strong predictor of customer loyalty. Satisfied customers tend to maintain their relationship with the bank, increase their frequency of service use, and recommend the bank to other potential customers.

The majority of research shows that customer satisfaction has a more stable influence on loyalty than service quality directly. This finding indicates that customer loyalty is not formed solely by good service quality, but by positive experiences that lead to sustained satisfaction.

The Mediating Role of Customer Satisfaction in the Relationship between Service Quality and Customer Loyalty

The main findings of this systematic literature review show that customer satisfaction is the dominant mediator in the relationship between service quality and customer loyalty in Islamic banking.

Most studies have found that service quality has a greater indirect effect on loyalty through customer satisfaction than its direct effect. (Asnawi et al., 2019), (Al-hawari, 2022), (Aquino et al., 2021), and (Kadir et al., 2023) show that when satisfaction variables are included in the model, the effect of service quality on loyalty becomes stronger and more significant.

The findings reviewed in recent literature consistently support the argument that customer satisfaction serves as the primary pathway through which service quality affects customer loyalty. Studies conducted in Indonesia, Malaysia, Oman, and several Middle Eastern countries demonstrate that satisfaction significantly strengthens the relationship between service quality and loyalty. Customers who are satisfied with banking services tend to exhibit repeat purchase behavior, stronger commitment, and a greater willingness to recommend Islamic banking products to others (Afifah & Kurniawati, 2021; Anjelisa et al., 2023; Fida et al., 2020).

Additionally, emerging evidence highlights the importance of digital service quality in shaping customer satisfaction and loyalty. Islamic banks that successfully integrate digital innovation with Sharia-compliant services are more likely to achieve sustainable customer loyalty in the modern financial environment (Nurudin et al., 2025; Yusfiarto, 2021).

These results demonstrate that good service quality does not automatically create loyalty. Customers must first feel satisfied with the service they receive. Once satisfaction is established, the likelihood of loyalty increases. Thus, customer satisfaction can be viewed as a psychological mechanism that bridges the relationship between service quality and customer loyalty.

The reviewed studies generally show a similar pattern that service quality has an important role in increasing customer satisfaction, which then strengthens customer loyalty in Islamic banking. However, the strength of the relationship differs across studies. Some studies found that service quality directly affects customer loyalty, while others indicated that its effect becomes stronger when mediated by customer satisfaction. This shows that customer satisfaction is not only an outcome of service quality but also an important bridge in building loyalty.

In addition, several studies emphasize traditional service quality dimensions such as reliability, responsiveness, assurance, empathy, and tangibles, while more recent studies highlight the importance of digital service quality and Sharia compliance. These differences indicate that customer loyalty in Islamic banking is influenced not only by face-to-face service quality but also by digital banking experience and the consistency of Islamic values in banking operations. Therefore, the synthesis of previous studies confirms that customer satisfaction plays a central role in explaining how service quality contributes to customer loyalty.

Implications for Islamic Banking

The findings of this study have important implications for Islamic bank management. Efforts to increase customer loyalty require more than just technical improvements in service quality; they must also ensure that service quality generates customer satisfaction.

Islamic banks need to strengthen service dimensions related to speed of service, employee competence, ease of access to digital services, and consistent application of Sharia principles. Furthermore, regular customer satisfaction measurements are crucial, as satisfaction has been shown to play a key role in building customer loyalty.

Overall, the results of this study show that customer satisfaction is the main key that explains how service quality can be translated into customer loyalty in the Islamic banking industry.

Conclusion

This study concludes that customer satisfaction plays an important mediating role in the relationship between service quality and customer loyalty in Islamic banking. The reviewed literature shows that service quality contributes positively to customer satisfaction, and satisfied customers are more likely to remain loyal, continue using banking services, and recommend Islamic banks to others. These findings indicate that improving service quality alone is not sufficient to build long-term customer loyalty unless it is able to create positive customer experiences and satisfaction. Therefore, Islamic banks should focus on strengthening service reliability, responsiveness, digital service quality, employee competence, and Sharia compliance as strategic efforts to improve customer satisfaction and sustain customer loyalty. Future studies are encouraged to expand the review by including additional variables such as customer trust, religiosity, perceived value, and digital service quality, as well as applying a more detailed systematic review protocol or meta-analysis to strengthen the findings.

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