



What Reduces Switching Behavior in Indonesian Islamic Banking? The Mediating Role of Customer Satisfaction

Hildah Meliyana¹, Elfira Maya Adiba², Dahruji³

*¹University of Trunodjoyo Madura, Indonesia, 220721100056@student.trunojoyo.ac.id

²University of Trunodjoyo Madura, Indonesia, elfira.madiba@trunojoyo.ac.id

³Universiti Sains Islam Malaysia, Malaysia, 4241159@raudah.usim.edu.my

Abstract. Switching behavior is a marker of customer loyalty, particularly among Islamic bank customers. Therefore, a strategy is needed to reduce the rate of customer switching from an Islamic bank to other banks. This study aims to analyze the determinants of switching behavior in Indonesian Islamic banks, using customer satisfaction as a mediating variable. This study employed a quantitative approach using Structural Equation Modeling based on Partial Least Squares (SEM-PLS). This study successfully collected primary data from 265 customers of an Indonesian Islamic bank. The results of this study indicate that none of the antecedent variables directly influence switching behavior, but they do significantly influence customer satisfaction. Customer satisfaction effectively mediates switching behavior, indicating that more satisfied customers are less likely to switch banks. The findings of this study indicate that Islamic bank customers act rationally by evaluating all antecedent variables before switching to another bank. This research theoretically contributes to the literature regarding the importance of customer satisfaction in explaining customer behavior. In practice, this research emphasizes the need for appropriate strategies to provide a positive experience of transacting with Islamic banks, thereby satisfying customers and minimizing switching behavior. Therefore, banks must maintain and improve customer satisfaction through optimizing competitive profit-sharing schemes, service strategies, sharia compliance, and technological innovation to increase customer loyalty and reduce switching behavior. This strategy is expected to strengthen Islamic banks' long-term competitiveness.

Keywords: Profit-Sharing, Islamic Service Quality, Sharia Compliance, Technology, Switching Behavior

*Corresponding Author

INTRODUCTION

Globally, the development of Islamic banks has shown consistent growth over the last two decades, as the world community has increased awareness of a financial system grounded in principles of justice, transparency, and the prohibition of usury (Mahardika et al., 2025). The Islamic banking industry is also growing rapidly, especially in Muslim-majority countries such

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as those in ASEAN (Dini et al.). This growth was driven by increasing demand for ethical finance products, increasingly adaptive regulatory support, and product innovation based on Islamic financial technology. Bank Islam is now focusing not only on profit-sharing-based financing but also on expanding its financing services, international sukuk, and Islamic mobile banking. With its relatively better resilience to global financial crises and its real asset-based business characteristics, Islamic banking is increasingly recognized as a stable and sustainable alternative financial system in the global economic order.

Islamic financial institutions in Indonesia are experiencing rapid growth, in line with public awareness of sharia principles. One of the real pieces of evidence of these dynamics can be seen in Bank Syariah Indonesia's performance. In 2024, BSI's total assets will reach IDR 360.85 trillion (Bank Syariah Indonesia, 2024). This figure reflects a steady increase from the year prior, supported by third-party savings and savings products. Deposits from third-party funds (DPK) reached Rp296.70 trillion, up 17.50% yoy. In addition, savings performance increased by 16.09% yoy, reaching Rp128.78 trillion (Bank Syariah Indonesia, 2024).

Data from the first quarter of 2025 shows that public interest in non-profit sharing deposit products *wadiah* increased by 1.22% from IDR 55.28 trillion to IDR 55.95 trillion (Bank Syariah Indonesia, 2025). This phenomenon contrasts with *mudharabah* savings, which decreased by 5.12%, from IDR 85.79 trillion to IDR 81.39 trillion. *Mudharabah* deposit products also decreased from IDR 130.68 trillion to IDR 124.77 trillion. Interestingly, *mudharabah* current account products actually increased by 4.13% from IDR 37.23 trillion to IDR 38.77 trillion (Bank Syariah Indonesia, 2025). This increase reflects increased business transaction activity and the use of *mudharabah* contracts by institutions for operational needs.

In an era of increasingly competitive banking competition, maintaining customer satisfaction is a strategic challenge. Various factors, including the profit-sharing ratio, the quality of Islamic services, sharia compliance, and technological sophistication in banking services, influence customer satisfaction. Competitive ratios are of interest to customers who want to place their funds. In this context, Islamic banks must be able to offer balanced, fair, and more attractive ratios than competitors, without neglecting the principles of fairness and transparency. Empirical studies by Yahyanti (2019) showed that the ratio affects Sharia Banks' customer satisfaction levels.

Islamic banks have helped investors raise \$8.43 billion, which is quite promising. Indeed, ratios play a particularly important role in Islamic banking products. Typically, when a *mudharabah*

savings account or mudharabah deposit product advanced under a joint profit-sharing contract is the object of a fund collection, business returns resulting from running the shop must be shared in accordance with previously agreed terms between the bank and the customer. This situation determines the ratio at which each party receives its share (Fatun, 2023). The ratio of these savings is 0.51% (Bank Syariah Indonesia, 2025).

Meanwhile, mudharabah deposits usually offer a higher rate than mudharabah savings because the funds are held for a certain period, giving the bank more time to manage them productively. The percentage ratio obtained on mudharabah deposit products is 2.5% (Bank Syariah Indonesia, 2025). This condition shows that a fair and competitive ratio will attract customers to place their funds.

In contrast to wadiah savings products, it does not use a ratio system because it is based on a deposit contract (wadiah yad dhamanah), under which banks are obliged to maintain and return customer funds upon request (Syifa et al., 2024). The advantage of wadiah savings lies not only in the flexibility of withdrawals but also in the Islamic services offered to clients. The quality of Islamic services is reflected in a friendly, honest, transparent, and professional approach to managing deposits, thereby fostering customer satisfaction. Empirical studies by Perdana & Fahrullah (2020) and Asna (2023) indicate that the quality of Islamic services may influence customer satisfaction. On the other hand, sharia compliance is the primary basis for distinguishing between conventional and Islamic banks. If customers feel the bank's products and operations are sharia-compliant, their satisfaction tends to increase. Research by Nikmah and Aldi (2023) found that adherence to sharia principles affects customer satisfaction.

In the midst of digitalization and competition in the banking industry, technological sophistication, such as mobile banking, also determines customer satisfaction by enhancing convenience, speed, and efficiency, allowing customers to spend less time in branch offices (Handayani et al., 2024). An empirical study by Hikmayanti et al. (2024) found that M-Banking services influence customer satisfaction levels. However, high customer expectations for services and sharia values that are not optimal can trigger switching behavior if the service provided does not meet expectations. Research by Mochlasin et al. (2023) and Nadia et al. (2025) revealed that service quality, compliance with sharia principles, and technological sophistication affect switching behaviour, with satisfaction as a mediating variable.

Previous studies from Isabella et al. (2022) show that the quality of Islamic services affects customer satisfaction. Shariah compliance also affects customer satisfaction (Tifani & Rini,

2022). Research by Dinda and Diah (2023) suggests that technology also affects customer satisfaction. However, most of those studies treated satisfaction as a dependent variable and did not directly link it to switching behaviour. On the other hand, Mochlasin shows that even when customers are satisfied, these conditions are not always sufficient to prevent transitional behavior, especially when customer expectations are not fully met. Based on these gaps, this study treats switching behavior as the main dependent variable, thereby distinguishing it from previous studies. The main novelty of this study lies in the testing of customer satisfaction as a mediating variable, which bridges the influence of profit sharing, Islamic service quality, sharia compliance, and technological sophistication on customer switching behavior. This study was conducted to test the influence of independent variables on switching behavior via customer satisfaction as an intermediary. This influence has not been comprehensively tested in previous studies.

LITERATURE REVIEW

Profit Sharing to Switching Behavior through Customer Satisfaction

Profit sharing refers to the division of revenue between two parties who establish a business relationship: the owner of capital (*shahibul maal*) and the business manager (*mudharib*) (Sutra Lena and Syarofi, 2022). This mechanism is generally applied in *mudharabah* contracts, in which the fund provider entrusts capital management to the manager, with an agreement to share profits and the risk of loss in accordance with the proportions determined at the beginning of the contract (Setiawan, 2022). Several studies state that a fair and competitive profit-sharing ratio can increase customer satisfaction. Customer satisfaction refers to the expectation of receiving a service or product from a banking or financial institution. Customer satisfaction is determined by five elements, namely: product quality, service quality, emotions, price, and cost (Karim, 2020). Satisfaction can also be measured by employee performance (Elisa Wulandari et al., 2023). An empirical study from Yahyanti (2019) shows that profit sharing significantly affects customer satisfaction.

On the other hand, if the customer is dissatisfied with the service or product provided, there is a possibility of switching behaviour. Previous empirical studies have shown that customer satisfaction is negatively correlated with switching behavior: the more satisfied customers are, the less likely they are to switch (Mochlasin et al., 2023; Muthmainah, 2022). Thus, the management of a fair and competitive profit-sharing ratio is an important strategy for Islamic

banking in maintaining satisfaction while suppressing customer switching behavior, so the hypotheses that can be formulated are as follows:

H1: Profit sharing affects customer satisfaction.

H2: Profit sharing affects switching behavior.

Islamic Service Quality to Switching Behavior through Customer Satisfaction

Islamic Service Quality is a service quality concept that emphasizes not only efficiency, reliability, and customer satisfaction but also draws on Islamic sharia values derived from the Qur'an and Sunnah (Agustin et al., 2023). Service quality is an important element that serves as the main basis for establishing sustainable relationships between entrepreneurs and customers (Ahmad, 2025). According to Tjiptono (2016), as quoted in Astutik and Luluk (2023), service quality is the level of excellence expected to meet customer desires. The SERVQUAL Model has five aspects: reliability, responsiveness, assurance, trust, and empathy (Diah, 2018). In Islam, service quality is not limited to technical and functional aspects; it is also integrated with Islamic sharia and moral values throughout every service process. Othman and Owen (2001), as cited in Putra (2015), in relation to Islamic banking, added an element of "sharia compliance" to the quality of Islamic services, which later came to be called CARTER. Customer satisfaction will increase if banks offer the best possible service (Wibowo et al., 2023).

In studies by Sefta et al. (2020), Sugiarti (2021), and Damayanti (2025), these six aspects significantly influence customer satisfaction. In addition to affecting satisfaction, the quality of sharia services also directly influences customer switching behaviour. When the quality of sharia services falls short of functional or spiritual expectations, customers tend to look for alternative financial institutions they consider capable of providing more professional services in accordance with sharia principles. The hypothesis can be formulated as follows:

H3: The quality of sharia services has a significant influence on customer satisfaction.

H4: The quality of sharia services has a significant effect on transitional behavior.

Shariah Compliance with Switching Behavior through Customer Satisfaction

Sharia compliance refers to the extent to which a bank complies with sharia principles in providing services and conducting business activities (Suryani, 2017). Sharia compliance is a very important pillar in the development of Islamic financial institutions as a differentiator between conventional and sharia (Muslihatin & Riduwan, 2020). From an Islamic banking perspective, sharia compliance is an important criterion for evaluating the integrity and credibility of Islamic financial institutions. Sharia compliance regulations are supervised by the Sharia Supervisory Board (Nurhisam, 2016; Romadhonia and Kurniawati, 2022).

When banks are considered consistent in applying sharia principles comprehensively across products, transaction processes, and business ethics, customers tend to feel safe, comfortable, and satisfied because their spiritual and moral expectations are met. Gupa (2022) found that customer satisfaction is significantly influenced by sharia compliance. Sharia compliance not only shapes customer satisfaction but also has direct implications for switching behaviour. If the sharia compliance applied is considered poor, it is likely that the customer will transfer to another bank. Based on this research, the hypotheses that can be formulated are as follows:

H5: Sharia compliance significantly influences customer satisfaction.

H6: Sharia compliance significantly influences switching behaviour.

Technology Sophistication for Switching Behavior through Customer Satisfaction

In the context of Islamic banking, technological sophistication, such as mobile banking, serves as a wireless network-based service accessible via mobile phones, thereby providing convenience and efficiency in conducting various transactions (Nita Amanda, 2023). Banking transactions, such as m-banking, can be done anywhere, anytime, 24 hours a day, without having to visit a bank teller or an Automated Teller Machine (ATM) (Fandi, 2019).

Furthermore, Davis (1989) proposed the Technology Acceptance Model (TAM) to explain the ease of use of technology (Siti & Labibah, 2023). The sophistication of technology is not only evaluated by ease of use but also by security, convenience, and reliability, which can shape customers' perceptions of the value of Islamic banks. When mobile banking services are perceived as less responsive, often disrupted, or fail to provide a sense of security during transactions, customer trust decreases. This condition has the potential to encourage customers to compare and move to other banks that offer digital banking technology that is more stable,

secure, and in accordance with their transaction needs, so that the hypothesis can be formulated as follows:

H7: The sophistication of technology has a significant effect on customer satisfaction.

H8: Technological sophistication has a significant effect on switching behavior.

Customer Satisfaction and Switching Behavior

Customer satisfaction is the key that bridges the relationship between the stimulus received by the customer and the behavioral response shown (Neneng & Utomo, 2025). In the context of Islamic banking, various factors, such as the profit-sharing ratio, the quality of Islamic services, sharia compliance, and technological sophistication, do not always directly encourage switching behavior. The customer first evaluates these factors through the perception of satisfaction. Satisfaction is created when the experience customers perceive meets or exceeds their expectations (Andre & Richard, 2025). In customer satisfaction theory (*customer satisfaction theory*), a high level of satisfaction will strengthen loyalty. At the same time, dissatisfaction can prompt customers to seek alternatives to other financial institutions that better meet their needs (Solehudin et al., 2024). If customer satisfaction is high, customers tend to maintain relationships with banks and are less likely to switch.

On the other hand, if the customer is dissatisfied with the service or product provided, there is a possibility of switching behaviour. Previous empirical studies have shown that customer satisfaction is negatively correlated with switching behavior: the more satisfied customers are, the less likely they are to switch (Mochlasin et al., 2023; Muthmainah, 2022). Therefore, Islamic banks must continue to maintain and improve the quality of customer satisfaction services in order to reduce the risk of customer loss, so that the hypotheses that can be formulated are:

H9: Customer satisfaction has a significant effect on switching behavior.

METHOD

This study uses a quantitative approach with the survey method as the main data collection technique (Mukhid, 2021). Primary data was obtained through the distribution of questionnaires to Bank Syariah Indonesia customers in the East Java region. The data collection process is carried out in person and online to obtain an empirical picture of customer

perceptions of profit sharing, Islamic quality of service, sharia compliance, sophistication of banking technology, satisfaction levels, and switching behaviour trends. From this process, 265 valid questionnaires were obtained for analysis. The research instrument was compiled as a questionnaire containing a series of closed-ended statements, developed from indicators in the previous literature. Each statement is measured using a five-point Likert scale from “strongly disagree” to “strongly agree”. The sampling technique used in this study is purposive sampling, which involves selecting participants based on specific criteria relevant to the research purpose. The respondent criteria set in this study include: (1) active customers of Bank Syariah Indonesia in the East Java region; (2) have used BSI’s products or services for at least one year; (3) have used technology-based banking services, such as mobile banking or internet banking; and (4) be at least 17 years old. Establishing these criteria aims to improve data validity and ensure that respondents are relevant to the study’s context.

In addition to primary data, this study also uses secondary data from various sources, including the annual report of Bank Syariah Indonesia and scientific publications on Islamic banking. These secondary data are used to strengthen the research’s conceptual framework. Data analysis was carried out using the Structural Equation Modelling–Partial Least Squares (SEM-PLS) method with SmartPLS 4.0.9.9. The analysis stage consists of two main parts, namely measurement model testing (outer model) and structural model testing (inner model). In the outer model stage, the validity of convergence is assessed by the outer loadings and Average Variance Extracted (AVE), where the construct is declared valid if it has an outer loading ≥ 0.70 and an AVE ≥ 0.50 . Meanwhile, the construct’s reliability was assessed using Composite Reliability and Cronbach’s Alpha, with values ≥ 0.70 indicating good reliability (Ghozali, 2021). In the inner model stage, the values of the determination coefficient (R^2), path coefficients, and direct and indirect influences among variables were tested. The R^2 value ≥ 0.75 is categorized as strong, 0.50 moderate, and less than 0.25 is considered weak. To test the significance of the relationship between variables, this study uses the bootstrap technique, in which a relationship is deemed significant if the t-statistic exceeds 1.65 at the 5% significance level (Ghozali, 2021). With this approach, the study aims to empirically explain the influence of sharia service quality, sharia compliance, and technological sophistication on switching customer behavior, with customer satisfaction as a mediating variable.

Table 1. Variable Operationalization

Variabel	Indicator	Scale
Switching Behavior Source: (Fahmi, 2023)	Push Factor	1-5
	Pull Factor	
	Mooring Factor	
Customer Satisfaction Source: (Karim, 2020)	Product Quality	1-5
	Quality of Service	
	Emotion	
	Price	
	Cost	
Profit Sharing Source: (Hardman, 2024; Nurchayati et al., 2024)	Justice theory	1-5
	Profit and loss sharing	
	Agency theory	
Islamic Services Quality Source: (Diah, 2018; Putra & Sri, 2015)	Sharia Compliance,	1-5
	Reliability,	
	Responsiveness	
	Tangible	
	Insurance	
	Empathy	
	Free from <i>maysir, gharar, riba</i>	
Shariah Compliance Source: (Ahmad, 2022; Nulviki, 2021)	Halal	1-5
	Amanah	
	Facilities	
Technological Sophistication Source: (Siti Rahmatul Azkiya, 2023)	Security	1-5
	Comfort	
	Reliability	

Figure 1. The theoretical framework of the research visually depicts the direction of direct and indirect influences between variables tested through nine hypotheses using the SEM-PLS approach.

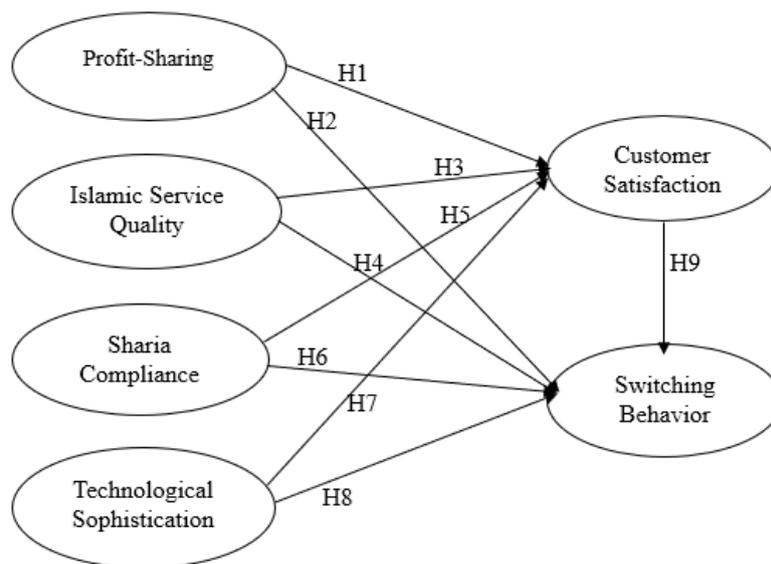


Figure 1. Theoretical Framework

RESULTS

This study uses a Google Form to administer a questionnaire. A total of 265 respondents provided samples. Respondents were taken from BSI East Java customers. The criteria for respondents who fill out this questionnaire are Bank Syariah Indonesia customers who have easy wadiah savings, easy mudharabah savings, and mudharabah deposits, with the following demographics:

Table 2. Sample of Respondents

Demography	N	%
<i>Gender</i>		
Man	115	43,7
Woman	150	56,3
<i>Age</i>		
17-25	114	43,2
26-35	44	16,6
36-45	76	28,7
>45	31	11,5
<i>Final Education</i>		
High School/Vocational School	134	51,7
S1/S2/S3	131	48,3
<i>Work</i>		
Private Employees	98	37,7
PNS/ ASN/ BUMN/ BUMD	37	14,2
Entrepreneurial	66	25,4
Professional	9	3,5
IRT	21	8,1
Student	34	11,1
<i>Monthly Income</i>		
< 2,000,000	65	24,6
2.000.000 - 10.000.000	178	67,7
> 10,000,000	22	7,7

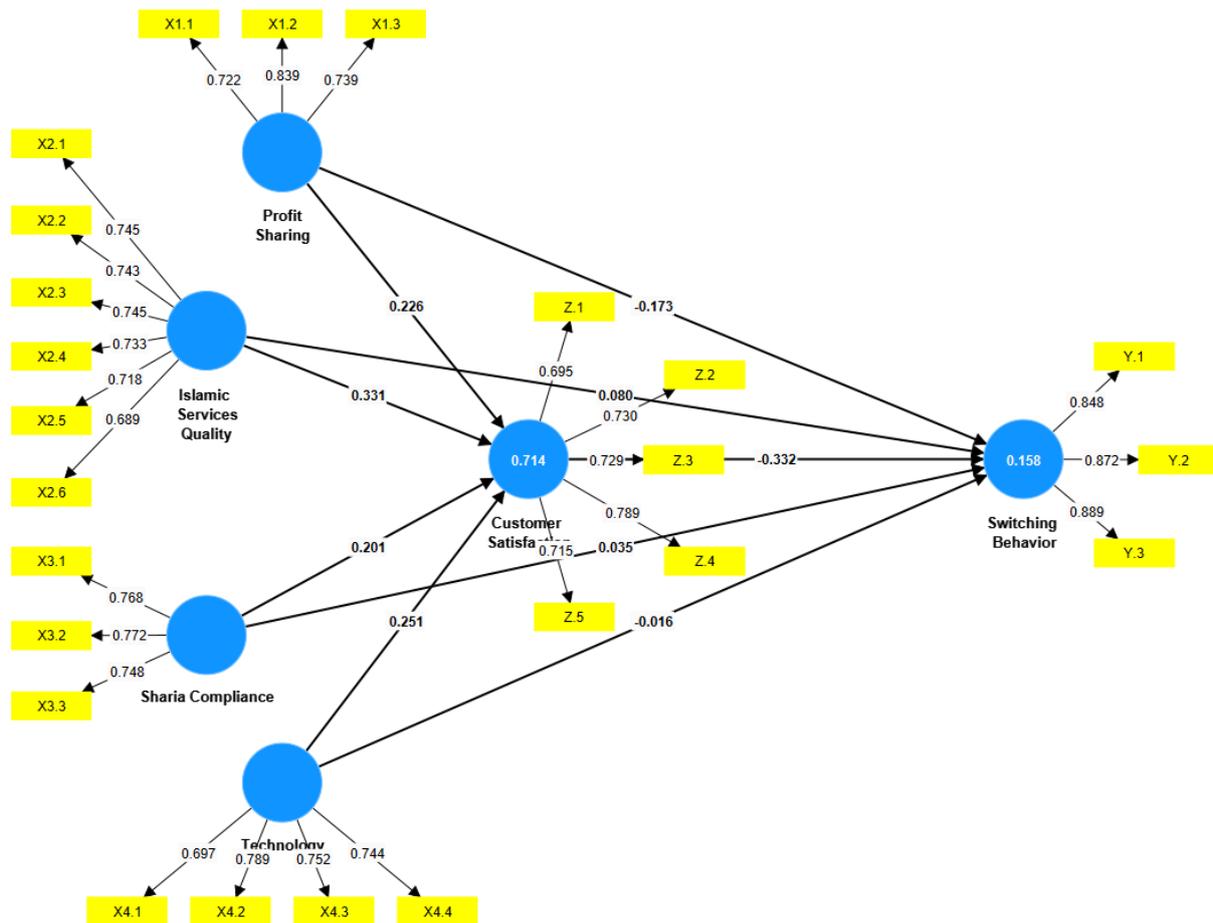


Figure 2. Graphical Output

Reality and Validity Test

Convergent validity tests were used to analyze this study at the validity stage, and Average Variance Extracted (AVE) was used as the basis for measurement. According to Ghozali (2021), the convergent validity test is deemed to meet the minimum requirements if the outer loadings exceed 0.70, whereas the AVE is considered valid if it exceeds 0.50. Furthermore, for the reliability test, two indicators were used: the combined reliability (CR) and Cronbach’s α . This interpretation is based on the following theory (Hair et al., 2017): the construct is deemed reliable if the total reliability exceeds 0.70, and Cronbach’s Alpha is also considered adequate if it exceeds 0.70. However, a realism value between 0.6 and 0.7 is also acceptable (Sekaran, U., & Bougie, 2016). Overall, the value of these items’ findings ranges from 0.689 to 0.889, which is acceptable because it is above the recommended threshold.

Table 3. Reliability and Validity Test

Indicators	Code	Dimensions	Factor Loading	CA	CR	AVE
Profit Sharing	PS 1	The profit sharing implemented by BSI reflects the principle of fairness.	0.722	0.652	0.666	0.590
	PS 2	I understand that the profits and losses are borne jointly in accordance with the agreed contract.	0.839			
	PS 3	I believe that Bank Syariah Indonesia did not misuse the funds entrusted to it.	0.739			
Islamic Services Quality	IQ 1	I am confident that all BSI services comply with sharia principles.	0.745	0.825	0.825	0.532
	IQ 2	BSI has always provided accurate and reliable service.	0.743			
	IQ 3	BSI officers are always responsive to my needs.	0.745			
	IQ 4	The appearance of the BSI staff looks professional and convincing.	0.733			
	IQ 5	I feel safe and trust in the competence of BSI officers.	0.718			
	IQ 6	BSI understands my needs personally and provides sincere attention.	0.689			
Shariah Compliance	SC 1	The mudharabah products I use are free from the elements of maysir, gharar, and riba.	0.768	0.641	0.641	0.582
	SC 2	I believe that mudharabah products at BSI are only used for halal business activities.	0.772			
	SC 3	I believe that BSI manages customer funds with trust.	0.748			
Technological Sophistication	TS 1	BSI's Mobile banking services are easy to access and use.	0.697	0.734	0.737	0.557
	TS 2	I feel safe when making transactions through the BYOND by BSI service.	0.789			
	TS 3	The service fee charged by the bank is in accordance with the benefits I receive.	0.752			
	TS 4	The bank administration fee does not burden me as a customer.	0.744			
Customer Satisfaction	CS 1	The BSI products offered meet my needs.	0.695	0.783	0.786	0.536

	CS 2	Bank BSI provides services in accordance with sharia principles.	0.730			
	CS 3	I feel calm and safe in keeping funds in this bank	0.729			
	CS 4	The service fee charged by the bank is in accordance with the benefits my receive.	0.789			
	CS 5	The bank administration fee does not burden me as a customer.	0.715			
Switching Behavior	SB 1	Switching from BSI products or services to another bank is the right and profitable choice for me.	0.848			
	SB 2	Other bank products and features are more suited to my needs.	0.872	0.840	0.857	0.756
	SB 3	My trust in BSI bank today keeps me going.	0.889			

Source: SmartPLS processed data, (2025)

Based on Table 3 above, the factor loadings of all indicators for each variable are above 0.60, indicating that they meet the criteria for convergent validity (Sekaran, U., & Bougie, 2016). Cronbach's Alpha values indicate that most constructs in this study show an acceptable level of reliability. The variables Islamic Services Quality (CA = 0.825), Customer Satisfaction (CA = 0.783), Technological Sophistication (CA = 0.734), and Switching Behavior (CA = 0.840) have exceeded the minimum threshold of 0.70, indicating good consistency. Meanwhile, the variables Profit Sharing (CA = 0.652) and Shariah Compliance (CA = 0.641) had a CA value slightly below 0.70. However, in exploratory research and model development, a CA value above 0.60 remains acceptable, especially when supported by an adequate CR value. Furthermore, the validity of the convergence is evaluated through the Average Variance Extracted value. The test results showed that all constructs had AVE values above the threshold of 0.50, namely Profit Sharing (AVE = 0.590), Islamic Services Quality (AVE = 0.532), Shariah Compliance (AVE = 0.582), Technological Sophistication (AVE = 0.557), Customer Satisfaction (AVE = 0.536), and Switching Behavior (AVE = 0.756). This indicates that each construct explains more than 50% of the variance in its indicators, thus meeting the criteria for strong convergent validity. Thus, all variables in this study can be carried forward to the structural model testing stage to analyze causal relationships and test the research hypothesis empirically and systematically.

Table 4. Fornell Lacker

	CS	ISQ	PS	SC	SB	TS
Customer Satisfaction	0.732					
Islamic Service Quality	0.755	0.729				
Profit Sharing	0.683	0.594	0.768			
Sharia Compliance	0.683	0.624	0.642	0.763		
Switching Behavior	-0.377	-0.262	-0.338	-0.261	0.820	
Technological Sophistication	0.691	0.655	0.525	0.520	-0.266	0.746

Source: SmartPLS processed data, (2025)

The discriminant validity test using the Fornell–Larcker criteria aims to ensure that each construct in the research model is distinct and does not conceptually overlap with the others. The main principle of this criterion is that the square root value of the Average Variance Extracted (AVE) located on the main diagonal must be greater than the correlation value between other constructs (Evi & Widarto, 2023). If this criterion is met, then it can be concluded that a construct is better able to explain its own indicators than to explain indicators from other constructs.

Based on the results in Table 4, the Customer Satisfaction construct has an AVE root value of 0.732. This value is higher than its correlation with Profit Sharing, Sharia Compliance, Technological Sophistication, and Switching Behavior. These results show that customer satisfaction is a construct that can be well distinguished from these variables. A negative correlation with Switching Behavior indicates that higher customer satisfaction tends to reduce the likelihood of switching to other banks.

Hypothesis

Table 5. Hypothesis Test

Hypothesis	Statements	T-Statistics (O/STDEV)	P- Values	Informations
H1	Profit Sharing -> Customer Satisfaction	3.854	0.000	Accepted
H2	Profit Sharing -> Switching Behavior	1.871	0.061	Rejected
H3	Islamic Service Quality - > Customer Satisfaction	6.560	0.000	Accepted
H4	Islamic Service Quality - > Switching Behavior	0.865	0.387	Rejected
H5	Sharia Compliance -> Customer Satisfaction >	4.187	0.000	Accepted
H6	Sharia Compliance - > Switching Behavior	0.419	0.675	Rejected
H7	Technological sophistication - > Customer Satisfaction	3.741	0.000	Accepted
H8	Technological sophistication - > Switching Behavior	0.158	0.875	Rejected
H9	Customer Satisfaction - > Switching Behavior	2.761	0.006	Accepted

Source: SmartPLS processed data (2025)

Table 5 presents the results of hypothesis testing that analyze the influence of profit sharing, Islamic service quality, sharia compliance, and technological sophistication on switching behavior, with customer satisfaction as an intermediary. Hypothesis testing was carried out using SEM-PLS based on t-statistics and p-values at the 5% significance level (Ghozali, 2021).

Table 6. Indirect Effect Test

	P-Value	Informations
Profit Sharing -> Customer Satisfaction -> Switching Behavior	0.014	Accepted
Islamic Service Quality -> Customer Satisfaction -> Switching Behavior	0.032	Accepted
Sharia Compliance -> Customer Satisfaction -> Switching Behavior	0.035	Accepted
Technological Sophistication -> Customer Satisfaction -> Switching Behavior	0.014	Accepted

Source: SmartPLS processed data (2025)

Table 6 shows that customer satisfaction acts as a significant mediating variable in the relationships between all independent variables and switching behavior. This finding is evidenced by the p-value, which is all smaller than 0.05, so that all indirect influence hypotheses are declared accepted (Ghozali, 2021).

DISCUSSION

Overall, the results of the hypothesis test in Table 5 show that profit sharing, Islamic service quality, sharia compliance, and technological sophistication have a significant effect on

customer satisfaction but do not have a direct effect on switching behavior. On the other hand, customer satisfaction has been shown to have a significant direct influence on switching behavior. The results of the profit-sharing test had a significant positive impact on customer satisfaction ($t\text{-value} = 3.854$, $p\text{-value} = 0.000$). This finding indicates that the higher a customer's expectations for the profit distributed, the higher the customer satisfaction, supporting H1. This result is consistent with the findings of the research by Reisa et al. (2022) and Rupita et al. (2024), which shows that the perception of unfair profit distribution reduces customer satisfaction in Islamic banks. In addition, profit sharing had a negative effect on H2, which was rejected for switching behavior ($t\text{-statistic} 1.871$; $p\text{-value:} 0.061$). This finding means that the more favorable the ratio customers receive, the less likely they are to switch banks, in line with Alfansi (2023), who stated that financial dissatisfaction is the main trigger for switching behavior.

A $p\text{-value}$ of 0.000 indicates that optimally provided sharia services can significantly increase satisfaction, thereby supporting H3. This finding is consistent with the SERVQUAL Parasuraman (1988), which predicts that satisfaction can only increase when the service provided is better. A research study by Hasyim and Fauzi (2021) shows that the higher the quality of services provided by Islamic financial institutions, the higher customer satisfaction, because customers not only evaluate the technical aspects of the service, but also the value of sharia reflected in the service process. This finding led to H4 being rejected ($t\text{-value} = 0.865$; $P\text{-value} = 0.387$). The improvement in the quality of Sharia services often leads to a decrease in people's willingness to move; the effect is not strong enough to be concluded as a real relationship. The findings are in line with the research by Ningsih and Khoiruddin (2023), Sudhartio et al. (2024), and Laili and Rahman (2024). This finding shows that service quality is a key factor in retaining customers for Islamic banks.

Furthermore, the study showed that Sharia compliance had a significant positive impact on customer satisfaction ($t\text{-value} = 4.187$, $p = 0.000$). H5 was supported. These results show that banks' compliance with Sharia principles plays an important role in customer satisfaction. Consistent compliance with Sharia regulations can significantly increase customer satisfaction by promoting contract transparency, avoiding usury, and adhering to DSN-MUI fatwas, thereby fostering positive perceptions and a stronger sense of trust. However, the sixth hypothesis (H6), that sharia compliance does not have a significant effect on switching behavior ($t\text{-statistic} = 0.419$; $p\text{-value} = 0.675$), is rejected. This result implies that although sharia compliance is a basic customer expectation, it is not sufficient to deter customers from

moving to another bank without any perceived satisfaction. An empirical study by Mochlasin et al. (2023) showed that non-optimal sharia compliance can prompt people to switch to another bank they consider more trustworthy.

The sophistication of technology has a significant positive impact on customer satisfaction, with t -statistics = 3,741; p -value = 0.000, meaning that the digital innovation implemented by the bank is sufficient to provide convenience or added value directly to customers. The study also showed that technological sophistication negatively affected switching behaviour, but this effect was not significant (t -value = 0.158; p = 0.875). These results show that although technological improvements can reduce customers' tendency to move, their influence is not strong enough because digital banking technology is currently relatively homogeneous across banks, making it a non-differentiating factor for customers in determining loyalty or the decision to move.

The ninth hypothesis shows that customer satisfaction has a significant effect on switching behavior, with a t -statistic of 2.761 and a p -value of 0.006. These findings confirm that customer satisfaction is a key determinant in suppressing the tendency to move. The higher the level of satisfaction, the lower the likelihood of customer defection from Islamic banks. These findings reinforce the Customer Satisfaction Theory, which explains that satisfaction is the main determinant of loyalty (Judas, 2022). In the context of Islamic banks, satisfaction built through fair, trustworthy, and professional service can reduce shifting behavior and improve long-term customer retention.

This study examines the influence of profit sharing, Islamic service quality, sharia compliance, and technological sophistication on switching behavior using customer satisfaction as a mediating variable. The findings indicate that all antecedent variables have no direct effect on switching behavior, whereas customer satisfaction has a negative effect. These results indicate that customer satisfaction fully mediates the effects of the antecedent variables on switching behaviour. Customer satisfaction can also reduce switching behaviour among Islamic bank customers in Indonesia.

The results of this study demonstrate that customers evaluate attributes such as the competitiveness of profit-sharing rates, the quality of Islamic services received, the conformity of Islamic banking services to Islamic principles, and the ease and efficiency of Islamic banking digital services. These results indicate that Islamic banking customers in Indonesia are rational,

considering the benefits they receive. The results of this evaluation process will encourage satisfaction and, if the benefits received meet customer expectations, create it.

This finding confirms that in the context of Islamic banking, switching behavior is not directly influenced by antecedent variables, but rather through a prior evaluation process that emotionally contributes to customer satisfaction. Despite Sharia compliance and ongoing digitalisation, Islamic bank customers still need to feel satisfied to remain loyal. Increasing customer satisfaction with Islamic bank products and services will make them less likely to switch to another bank. Conversely, dissatisfaction with an Islamic bank will encourage customers to switch. Islamic bank customers will not immediately switch to another bank based on a single factor, such as profit-sharing rates; rather, customers consider multiple factors before making the switch.

The research results provide benefits for Islamic banks in evaluating policies to increase customer retention and developing strategies to foster customer loyalty. The market share of Islamic banks in Indonesia currently hovers around 8%, significantly lagging behind that of conventional banks. Switching behavior could impact the Islamic banking industry, leading to customer losses and, in turn, affecting asset growth, third-party funds, and financing distribution.

In the financial services industry, banks incur higher costs to acquire new customers than to retain existing ones. Therefore, this switching behaviour needs to be minimised, as it correlates with the efficiency and profitability of Islamic banks. Switching behavior also reflects customer perceptions of Islamic banks, which are linked to customer trust. A high customer churn rate indicates that the bank is unable to deliver a service experience that retains customers consistently.

CONCLUSION

This study aims to analyse the influence of profit sharing, Islamic service quality, Sharia compliance, and technological sophistication on switching behaviour, while considering the mediating role of customer satisfaction in Islamic banking in Indonesia. The results of this study indicate that all antecedent variables have a significant effect on customer satisfaction, but do not directly influence switching behavior. The antecedent variables do not have a significant direct effect, indicating that customer satisfaction is a mediating factor in switching behaviour. These results have practical implications: the strategy Islamic banks need to

implement to reduce customer switching behavior is to improve product and service quality that better satisfies customers. This study enriches the literature on Islamic banking by demonstrating that customers make rational assessments of satisfaction before determining their next behavior, such as remaining with an Islamic bank or switching to another bank. Future research can use additional variables to identify factors that influence the switching behavior of Islamic bank customers or conduct comparative studies across countries. Although this study provides theoretical and practical contributions to explaining the mechanism of switching behaviour in Islamic banking in Indonesia, several limitations should be acknowledged. The research sample was limited to customers of one Islamic bank in Indonesia, which may limit the generalizability of the findings to other Islamic banking institutions.

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