

## THE ROLE OF BANKING SYARIAH IMAGE IN MEDIATING THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON CUSTOMER LOYALTY: A CASE STUDY OF BANK RIAU KEPRI SYARIAH

**Nihayatu Aslamatis Solekah, Muhammad Sholeh**

Faculty of Economics, Universitas Islam Negeri Maulana Malik Ibrahim Malang  
Jl. Gajayana No.50, Malang City, East Java, 65144, Indonesia  
[aslamatiss\\_1@pbs.uin-malang.ac.id](mailto:aslamatiss_1@pbs.uin-malang.ac.id)

### ABSTRACT

This study aims to examine the mediating role of Banking Syariah Image in the relationship between Corporate Social Responsibility (CSR) and customer loyalty at Bank Riau Kepri Syariah. Using purposive sampling, a total of 100 participants were selected based on the criteria of being at least 17 years old and having been customers for a minimum of one year. Data analysis was conducted using the SmartPLS 4 software, applying the Structural Equation Modeling–Partial Least Squares (SEM–PLS) approach. The results indicate that both CSR and Islamic Banking Image have a direct positive effect on customer loyalty. Additionally, Islamic Banking Image significantly mediates the relationship between CSR and customer loyalty. These findings suggest that effective implementation of CSR programs not only directly enhances customer loyalty but also strengthens the positive image of Islamic banks in the eyes of the public. The image of Islamic banks serves as a significant mediator in fostering customer loyalty, emphasizing the importance of CSR strategies that are aligned with sharia values and social needs. Therefore, Islamic banks should prioritize CSR programs as a long-term strategic tool to build reputation and sustain customer loyalty.

**Keywords:** Banking Syariah Image, Corporate Social Responsibility, Consumer Loyalty

### INTRODUCTION

In an increasingly competitive banking industry, particularly among Islamic financial institutions, building and maintaining customer loyalty has become a strategic priority. One of the key factors that can influence loyalty is a bank's commitment to Corporate Social Responsibility (CSR). CSR initiatives not only fulfill ethical and legal obligations but also enhance a bank's image and strengthen customer relationships (Khan et al., 2022; Fatma et al., 2015). In the context of Islamic banking, where values of social justice and ethical conduct are integral, CSR takes on an even more significant role in shaping customer perceptions and behaviors (Dusuki & Abdullah, 2007).

Recent studies have highlighted the direct effect of CSR on customer loyalty (Pérez & del Bosque, 2015; Singh et al., 2021). However, there is a growing body of literature suggesting that this relationship may be mediated by other variables, such as brand image or corporate reputation (Martínez & del Bosque, 2013). Specifically, in the context of Islamic banking, the role of Banking Syariah Image—which encompasses public perceptions of the bank's alignment with Islamic principles—may serve as a critical mediating factor. Despite the increasing attention to CSR in Islamic finance, limited empirical research has explored how Banking Syariah Image mediates the relationship between CSR and customer loyalty, particularly in regional Islamic banks in Indonesia.

This research seeks to address that gap by focusing on Bank Riau Kepri Syariah, a regional Islamic bank undergoing transformation toward full Shariah compliance. The case provides a unique context to examine how CSR efforts influence customer loyalty through the lens of Syariah image. The study aims to contribute to the literature by testing a mediation model that includes CSR, Banking Syariah Image, and Customer Loyalty using empirical data.

The purpose of this article is to investigate the mediating role of Banking Syariah Image in the relationship between Corporate Social Responsibility and Customer Loyalty. The scope of this study is limited to the customers of Bank Riau Kepri Syariah in Pekanbaru,

Indonesia, who have maintained an account for at least one year. By applying Structural Equation Modeling using Partial Least Squares (SEM-PLS), this article seeks to offer empirical evidence and practical implications for the strategic use of CSR in enhancing Islamic bank loyalty through image building.

## **LITERATURE REVIEW**

### **Consumer Loyalty**

Consumer loyalty refers to a customer's commitment to repurchase or continue using a brand or service consistently in the future, despite situational influences and marketing efforts by competitors (Oliver, 1999). In the banking industry, customer loyalty is particularly crucial due to the intangible nature of financial services and the long-term relationship between banks and clients. Loyal customers are more likely to engage in positive word-of-mouth, show resistance to switching, and contribute to stable revenue streams (Reichheld & Sasser, 1990). Several factors influence loyalty in the financial sector, such as service quality, trust, satisfaction, and emotional attachment (Caruana, 2002). In Islamic banking, loyalty is also affected by customers' perceptions of the bank's compliance with Islamic principles, ethical conduct, and social responsibility (Haniffa & Hudaib, 2007). Therefore, fostering loyalty among Islamic banking customers requires not only functional service excellence but also alignment with their values and beliefs.

### **Corporate Social Responsibility**

Corporate Social Responsibility (CSR) encompasses the ethical and voluntary practices of companies to contribute positively to society and the environment beyond their legal obligations (Carroll, 1999; Hasan et al., 2021). In banking, CSR activities can take many forms, such as community development programs, environmental initiatives, employee welfare, and ethical financing practices. CSR is not merely a philanthropic act but a strategic tool to build corporate image, trust, and long-term relationships with stakeholders (Kotler & Lee, 2005). Numerous studies have found a significant positive relationship between CSR and customer attitudes, particularly customer trust, satisfaction, and loyalty (Fatma et al., 2015; Pérez & del Bosque, 2015). Customers tend to support organizations that reflect their social and moral values, and CSR provides a platform for such alignment. In Islamic banking, CSR is even more central due to the faith-based nature of the business, which mandates fairness, transparency, and social justice (Dusuki & Dar, 2007).

### **Banking Syariah Image**

Banking Syariah Image refers to customers' perceptions of the extent to which an Islamic bank operates according to Islamic principles, maintains ethical conduct, and contributes to socio-economic well-being. This image is shaped by both functional attributes (e.g., Shariah-compliant products, transparency) and symbolic dimensions (e.g., trust, spiritual values) (Othman & Owen, 2001). A strong Syariah image enhances customer trust, differentiates the bank in the marketplace, and reinforces the emotional and spiritual connection with Muslim customers (Amin et al., 2013). Moreover, an Islamic bank's image serves as a mediator between CSR and customer loyalty by translating abstract CSR practices into tangible customer perceptions. A positive Syariah image thus acts as a vehicle through which CSR initiatives gain credibility and emotional resonance in the eyes of customers (Yusof et al., 2017).

## **HYPOTHESIS**

Corporate Social Responsibility (CSR) plays a vital role in shaping stakeholders' perceptions of an organization's ethical and social values. In the Islamic banking context, CSR initiatives are not only seen as corporate obligations but also as reflections of religious values such as fairness, justice, and social welfare (Dusuki & Dar, 2007). A bank that actively engages in CSR is more likely to be perceived positively by customers, thereby enhancing its Syariah-compliant image.

Previous studies have demonstrated a significant positive relationship between CSR and corporate image (Fatma et al., 2015; Pérez & del Bosque, 2015). For Islamic banks, the perceived alignment of CSR with Islamic principles further amplifies this effect, making CSR a key determinant of Banking Syariah Image (Amin et al., 2013).

H1: Corporate Social Responsibility has a positive effect on Banking Syariah Image.

CSR is considered a strategic tool for enhancing customer relationships, especially in service sectors such as banking. CSR efforts can increase customers' emotional attachment and trust, leading to stronger loyalty (Singh et al., 2021). In Islamic banking, CSR that aligns with Islamic ethical values tends to resonate more with Muslim customers, further reinforcing customer commitment (Haniffa & Hudaib, 2007). Empirical findings have shown that CSR has a direct and positive influence on customer loyalty (Khan et al., 2022; Martínez & del Bosque, 2013). This suggests that customers reward socially responsible banks with repeated patronage and advocacy behaviors.

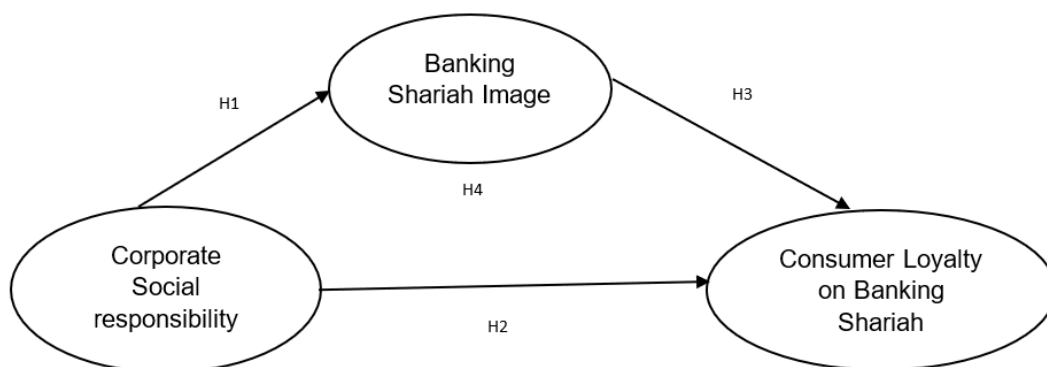
H2: Corporate Social Responsibility has a positive effect on Consumer Loyalty.

Banking Syariah Image reflects the perception that a financial institution upholds Islamic values, transparency, and ethical practices. A strong Syariah image can generate a sense of alignment between the bank's identity and the customer's beliefs, thereby increasing emotional attachment and loyalty (Amin et al., 2013; Othman & Owen, 2001). Prior research indicates that brand or corporate image has a direct influence on customer loyalty (Nguyen & Leblanc, 2001), and this holds particularly true for Islamic banks where spiritual and moral alignment is part of the brand's core value proposition (Yusof et al., 2017).

H3: Banking Syariah Image has a positive effect on Consumer Loyalty.

Although CSR may directly influence customer loyalty, the perception of an institution's image often serves as a critical mediator in this relationship (Martínez & del Bosque, 2013). In Islamic banking, CSR initiatives that reflect religious principles reinforce the Syariah image of the bank, which in turn fosters customer trust and loyalty (Fatma et al., 2015; Haniffa & Hudaib, 2007). This suggests a mediated pathway, where CSR first enhances the bank's Syariah image, and this improved image subsequently leads to increased customer loyalty.

H4: Banking Syariah Image mediates the relationship between Corporate Social Responsibility and Consumer Loyalty.



**Figure 1. Conceptual Framework**  
**Source: Processed Data (2025)**

## METHODS

### Research Design

This study employs a quantitative, explanatory research design using a cross-sectional survey to examine the mediating role of Banking Syariah Image in the relationship between Corporate Social Responsibility (CSR) and Customer Loyalty. The explanatory nature of the study aims to test hypotheses derived from theoretical frameworks and previous empirical studies. To assess the hypothesized relationships, the study uses Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS 4.0. SEM-PLS is appropriate for complex models involving latent variables and is particularly useful when the data distribution is not normal (Hair et al., 2021).

### Population and Sample

The population of this study includes customers of Bank Riau Kepri Syariah in Pekanbaru, Indonesia. The sampling technique used is purposive sampling, where respondents must meet the following criteria: Aged 17 years or older, Have been customers of Bank Riau Kepri Syariah for at least one year, Aware of the bank's CSR activities. Based on minimum requirements for SEM-PLS (Hair et al., 2019), a minimum of 10 times the number of indicators of the most complex construct is needed. This study collected data from 100 respondents, which satisfies the recommended threshold.

### Data Collection Method

Primary data were collected using a structured questionnaire distributed directly and online. The questionnaire was developed using measurement items adapted from prior validated studies. Each item was measured using a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Corporate Social Responsibility (CSR) was measured using indicators adapted from Fatma et al. (2015) and Khan et al. (2022). Banking Syariah Image items were based on studies by Amin et al. (2013) and Othman & Owen (2001). Customer Loyalty was measured using instruments from Martínez & del Bosque (2013) and Singh et al. (2021). Data were analyzed using SmartPLS 4.0 to test both the measurement model (validity and reliability) and the structural model (hypothesis testing). Mediation analysis was conducted using the bootstrapping approach to assess the indirect effect of CSR on Customer Loyalty through Banking Syariah Image.

## RESULTS

### Demographic Characteristics of Respondents

Table 1 analyzes the profile of the respondents. Whereas respondents had various characteristics when answering this questionnaire, including gender, age, Income/month, occupation and how long to save on sharia banking. Can be seen in Table 1. Then, Table 2's reliability analysis results demonstrate that the outer loading and CA and CR values are more than 0.7. It is possible to say that all indicators can serve as measurement benchmarks for the subsequent analysis stage or that all variable items can account for over 50% of the variance of the indicators. According to the suggested criterion, some factors cannot account for 50% or more of the item variance when their AVE value is less than 0.5.

Table 2's outer loading results demonstrate that every indicator item has a data value of 0.7. As a result, every item explains how every indicator might serve as a standard for measurement in the subsequent analysis phase. Good reliability is defined as Cronbach's alpha and composite reliability values greater than 0.6 (Hair et al. 2019). A variable is considered legitimate if its AVE value is more than 0.5, which shows that its measures are significantly associated. It is evident from the preceding table that every variable has an AVE value greater than 0.5. This indicates that since all variables comply with the criteria, they can all be considered legitimate.

Table 1. Description of Respondents

		Frequency	Percentage
<b>Gender</b>	Male	55	55%
	Female	45	45%
<b>Age</b>	17-25	33	33%
	26-34	22	22%
	35-43	27	27%
	44-52	15	15%
	>53	3	3%
<b>Income /month</b>	<Rp. 1.000.000	4	4%
	Rp 1.000.000-3.000.000	30	30%
	Rp. 3.000.000-5.000.000	18	18%
	Rp 5.000.000-7.000.000	21	21%
	>Rp. 7.000.000	27	27%
<b>Occupation</b>	Students	24	24%
	Self-employed	11	11%
	Government employees	23	23%
	Private employees	18	18%
	Others	24	24%
<b>How long to save on Sharia Banking Customers</b>			
	1 years	29	29%
	2 years	20	20%
	3 years	25	25%
	>3 years	26	26%

Source: Processed Data (2025)

Table 2. Analysis of Research Variables

Constructs	Items	Outer Loadings	Cronbach's Alpha	Composite Reliability	AVE
Corporate Responsibility	CSR1	0.91	0.976	0.973	0.859
	CSR2	0.929			
	CSR3	0.930			
	CSR4	0.926			
Banking Syariah Image	BSI1	0.929	0.957	0.969	0.885
	BSI2	0.946			
	BSI3	0.954			
	BSI4	0.933			
Consumer Loyalty on Sharia Banking	CLSB1	0.927	0.956	0.968	0.884
	CLSB2	0.942			
	SLSB3	0.939			
	CLSB4	0.953			

Source: Processed Data (2025)

### Discriminant Validity

The evaluation of discriminant validity comes next. In other words, the degree to which the empirical component deviates from the other elements of the structural model is assessed. In Table 3, discriminant validity is displayed. According to table 3, each construct's AVE (Fornell-Lacker Criterion) root is larger than its association with any other variable or dimension. The ROOT AVE score is greater than the correlation with other constructs for other latent variables. Thus, this model satisfies the requirements for discriminant validity.

**Table 3. Fornell-Larcker Discriminant Validity Test**

	Banking Syariah Image	Consumer Loyalty	Corporate responsibility	Sosial
Banking Syariah Image	0.941			
Consumer Loyalty	0.873	0.94		
Corporate Sosial responsibility	0.867	0.872	0.927	

Source: Processed Data (2025)

### Structural Model Testing (Inner Model)

The measurement model and the structural model were the two phases of the PLS analysis. The impact of latent variables on other latent variables in the research model is examined through structural model testing. The hypothesis that exogenous latent variables have an impact on endogenous latent variables and that endogenous latent variables have an impact on other endogenous latent variables is another name for this test. The test is conducted by looking at the structural path coefficients and the percentage of variance represented by R<sup>2</sup> for the endogenous latent variables, which are modeled to impact exogenous latent variables.

### R-Square Value

The variance in changes from exogenous to endogenous factors is measured by the coefficient of determination, or R<sup>2</sup>. The suggested research model's prediction level improves with a higher R<sup>2</sup> value. The R-square value's output, as shown in Table 4 below, is as Table 4. Table 4 shows that the Banking Syariah Image variable has an R-Square value of 0.750, meaning that 75% of the attitude variable can be explained by corporate social responsibility, placing it in the substantial category. With an R-Square value of 0.815, or 81.5%, for customer loyalty on the Banking Shariah variable explained by corporate social responsibility and Banking Shariah Image, it falls into the considerable group.

**Table 4. R-Square Value**

Variable	R Square	R Square Adjusted
Banking Syariah Image	0,752	0,750
Consumer Loyalty on Banking Shariah	0,815	0,811

Source: Processed Data (2025)

### Structural Model Test

The results of the structural equation modeling in Figure 2 and Table 5 show that there were 4 hypotheses proposed, and all four hypotheses accepted.

### Direct Effect Analysis

The result shows that CSR has a strong and significant positive effect on Banking Syariah Image ( $\beta = 0.867$ ,  $p < 0.001$ ). This aligns with previous studies (Fatma et al., 2015; Haniffa & Hudaib, 2007), which emphasize that in Islamic banking, CSR activities

are interpreted not only as ethical business practices but also as religious and moral obligations. For Bank Riau Kepri Syariah, this finding highlights the importance of embedding Islamic values in CSR communication and initiatives to reinforce its religious identity in the eyes of customers.

CSR also shows a direct positive effect on Customer Loyalty ( $\beta = 0.464$ ,  $p < 0.001$ ), supporting the notion that socially responsible behavior creates positive emotional responses and trust among customers (Martínez & del Bosque, 2013; Singh et al., 2021). This is particularly relevant in the Islamic banking context, where customers seek institutions that reflect their values. It suggests that CSR is not just about compliance or marketing—it is a core driver of relationship-building and loyalty in this sector.

The significant path from Banking Syariah Image to Customer Loyalty ( $\beta = 0.470$ ,  $p < 0.001$ ) indicates that customers who perceive the bank as truly aligned with Syariah values are more likely to remain loyal. This confirms previous studies (Amin et al., 2013; Yusof et al., 2017) and emphasizes the power of religious congruence in shaping customer behavior in Islamic financial institutions. Thus, maintaining a credible and authentic Syariah image is essential for sustainable customer engagement.

### Mediation Effect Analysis

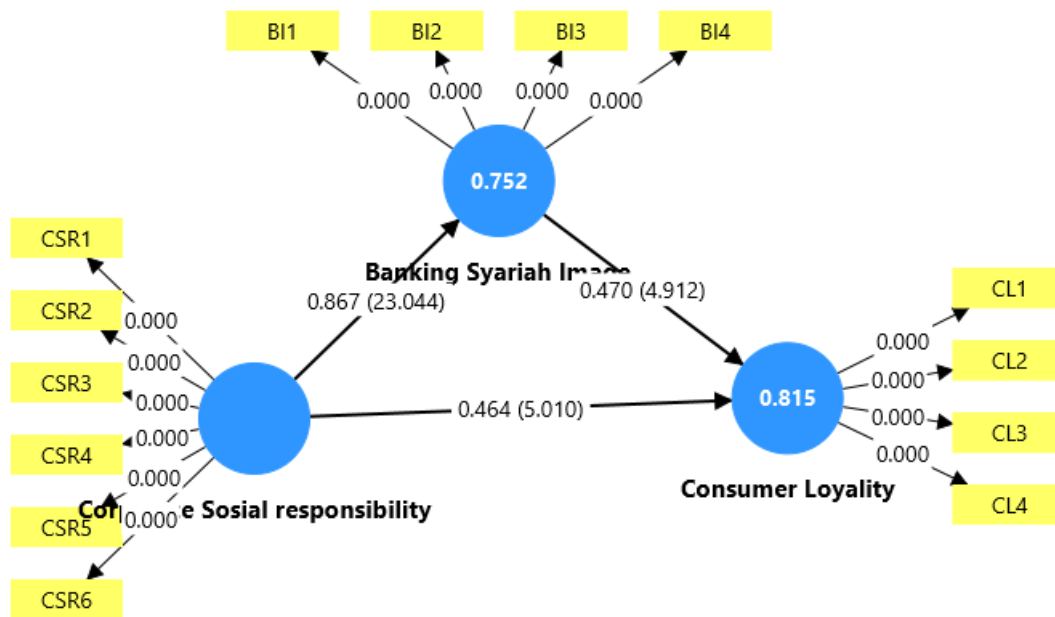
The indirect effect of CSR on Customer Loyalty through Banking Syariah Image is also significant ( $\beta = 0.408$ ,  $p < 0.001$ ). This confirms the mediating role of Banking Syariah Image, indicating that the effect of CSR on customer loyalty is partially channeled through how customers perceive the bank's adherence to Islamic values.

This indicates that while CSR directly affects loyalty, a large portion of its influence operates through shaping how customers perceive the bank's Islamic identity. This reinforces the value-congruence theory, where customers evaluate a company based on how well it reflects their own personal or religious values (Haniffa & Hudaib, 2007; Khan et al., 2022). This partial mediation suggests that CSR not only influences customer loyalty directly but also indirectly through the enhancement of the bank's Syariah image.

**Table 5. Path Analysis**

Hypothesis	Hypothesis effect	Path coefficients	T statistics	P value	Decision
H1	CSR → Banking Syariah Image	0.867	23.044	0	Supported
H2	CSR → Customer Loyalty	0.464	5.01	0	Supported
H3	Banking Syariah Image → Customer Loyalty	0.47	4.912	0	Supported
H4	CSR → Banking Syariah Image → Loyalty	0.408	4.836	0	Supported

**Source: Processed Data (2025)**



**Figure 2. Structural Equation Model**  
**Source: Processed Data (2025)**

### CONCLUSION

This study aimed to examine the mediating role of Banking Syariah Image in the relationship between Corporate Social Responsibility (CSR) and Customer Loyalty, using a case study of Bank Riau Kepri Syariah. The findings demonstrate that CSR significantly influences both Banking Syariah Image and Customer Loyalty, while Banking Syariah Image also directly and positively affects Customer Loyalty. Moreover, the mediating analysis reveals that Banking Syariah Image partially mediates the effect of CSR on Customer Loyalty, indicating that a strong Syariah image enhances the positive impact of CSR initiatives. These results suggest that Islamic banks should align CSR strategies with Islamic values to strengthen customer perceptions and loyalty. However, this study is limited to one regional Islamic bank and uses a cross-sectional design. Future research could broaden the scope by involving multiple Islamic financial institutions across regions or countries and consider moderating factors such as religiosity, service satisfaction, or trust to deepen the understanding of loyalty dynamics in Islamic banking.

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