

The Effect of Service Quality on Brand Loyalty: The Moderating Role of Brand Trust in Sharia-Compliant Insurance

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ABSTRACT: The expansion of micro, small, and medium-sized enterprises (MSMEs) has intensified competition in the financial services sector, particularly in the Sharia-compliant guarantee market. PT. Jamkrindo Syariah Guarantee, a subsidiary of PT. Jamkrindo, strategically supports MSMEs by offering Sharia-compliant guarantee products. This study examines the effects of service quality on brand trust and brand loyalty, as well as the moderating role of brand trust in the relationship between service quality and brand loyalty. A quantitative approach was employed using Partial Least Squares (PLS) analysis with data collected from PT. Jamkrindo Syariah clients through structured questionnaires. The results indicate that service quality has a significant positive effect on both brand trust and brand loyalty. Brand trust also positively affects brand loyalty and strengthens the influence of service quality on loyalty. These findings highlight the critical role of brand trust in enhancing customer loyalty and suggest that consistent, Sharia-compliant service quality can serve as a competitive advantage in the insurance sector. Managerial implications include prioritizing service excellence, fostering trust, and leveraging Sharia compliance to build long-term customer loyalty.

KEYWORDS: Service quality, Brand trust, Brand loyalty, Sharia-compliant insurance, Moderation.

I INTRODUCTION

As the need for funding for micro, small, and medium-sized businesses (MSMEs) expands, business competition in the financial services sector is becoming more intense, especially in the sharia-compliant guarantee market. By offering guaranteed products that adhere to sharia principles, PT. Jamkrindo Syariah Guarantee, a subsidiary of PT. Jamkrindo (Perum Jamkrindo), strategically supports the expansion of MSMEs. Product innovation is only one factor that determines a company's capacity to be sustainable; other factors include service excellence and consumer trust.

Since devoted customers are more likely to make repeat purchases, refer the business to others, and be more receptive to offers from rivals, brand loyalty is one of a company's most valuable assets. But brand loyalty doesn't last forever. Customers can quickly go to another business if they feel that the quality of the services is declining or if they discover a better deal elsewhere (Blomqvist et al., 2000). Therefore, one of the top priorities for insurance firms is to preserve brand loyalty by enhancing service quality and fostering trust.

In a number of financial services industries, it has been demonstrated that service quality plays a significant role in determining client loyalty and trust. According to earlier studies, providing excellent customer service helps build trust, which in turn boosts loyalty (Esmaeilpour et al., 2017; Rasheed et al., 2014). Service quality in the Islamic guarantee sector includes not only accuracy and timeliness but also respect for Islamic values, which serve as the cornerstone of client confidence.

Furthermore, a number of earlier studies have demonstrated that trust plays a critical role in moderating the relationship between loyalty and service quality. According to Sitinjak et al. (2022), Mariana et al. (2022), and Nasir et al. (2020), trust has been demonstrated to improve the correlation between brand loyalty and service quality. Other research, however, has demonstrated that trust can play a variety of roles, including that of a complete or partial mediator. Thus, further research is required, especially in the largely unexplored field of Sharia insurance.

Given these circumstances, it's critical to examine how PT. Jamkrindo Syariah Guarantee's brand trust affects customer loyalty. It is anticipated that this research will make both theoretical and practical contributions, including enhancing the body of knowledge on brand loyalty in the sharia guarantee sector and serving as a management factor for businesses as they develop service plans and improve client relations.

II THEORETICAL BASIS

Consumers that consistently choose to buy the same brand in a particular product or service category are said to be loyal to that brand (Schiffman et al., 2011). A strong commitment to regularly buying from or subscribing to a brand in the future is known as brand loyalty. According to Smith et al. (1992), brand loyalty is a gauge of a consumer's attachment to a specific brand. This relationship gives a general idea of how likely it is that a client may move to a different brand, particularly if the brand undergoes changes in terms of price or other aspects. No matter what happens to a brand, a customer who has a high level of brand loyalty will not quickly go to another one. Customers who are more devoted to a brand are less vulnerable to threats or attacks from other companies.

Brand awareness, brand association, and brand loyalty are all components of brand equity, which includes brand trust. According to Aaker (2012), consumer experience and brand reputation are the foundations of brand trust (D. C. Smith & Aaker, 1992). According to Chaudhuri and Holbrook (2001), brand trust is the expectation and belief that a brand will continue to deliver its services and performance, as well as confidence in the product or service's performance and safety. Every consumer associates brand trust with their interactions with the brand, making it a brand value that may be developed through a variety of means that can result in customer satisfaction. Because a company's brand will represent its image, brand trust is crucial (Kotler & Keller, 2016). Customers are more likely to assume that a business receives good value from them if they choose to buy its items again. Brand trust, as defined by Delgado-Ballester et al. (2003), is an expectation or assumption that a brand will be dependable in situations that pose a risk to consumers. Customers who trust a brand will be assured and prepared to depend on its capacity to deliver its advantages (Moorman & Miner, 1997).

According to Zeithaml et al. (2009), a key factor in determining customer satisfaction is service quality, which is defined as the consumer's opinion of a product's suite of services. Purchase intention and customer satisfaction are favorably and strongly influenced by these factors. According to Zeithaml et al. (2009), the qualities that have the most effect on customer satisfaction are assurance and reliability, whereas the qualities that have the least impact are responsiveness and empathy. A particular point on the continuum denotes suitable quality, and perceived service quality is situated between ideal and unacceptable quality (Parasuraman et al., 1985). The quality of the service is not satisfactory if the expected service (ES) exceeds the perceived quality (PS). The service quality has been satisfied if perceived quality (PS) and expected service (ES) are equal. The quality of the service is higher than expected if perceived quality (PS) is higher than expected service (ES). Zeithaml et al. (2009) assert that objective quality, which is associated with objective evaluation based on preset standards that can be tested and validated, is distinct from perceived quality.

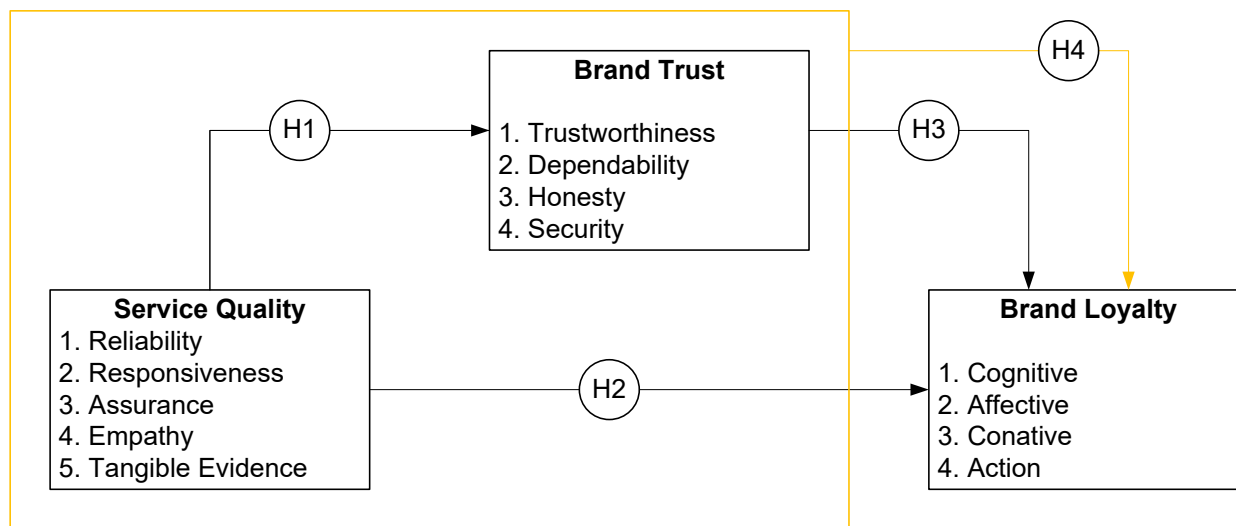


Figure 1. Conceptual Framework

The hypotheses in this study are tentative assumptions or initial answers to the stated problem formulation. These include:

- H₁: Service quality has a positive effect on brand trust.
- H₂: Service quality has a positive effect on brand loyalty.
- H₃: Brand trust has a positive effect on brand loyalty.
- H₄: Brand trust moderates the effect of service quality on brand loyalty.

III RESEARCH METHODS

This study examines the link between latent variables—namely, service quality, brand trust, and brand loyalty—using a quantitative approach using the Partial Least Square (PLS) technique using SmartPLS 4 software. In order to collect data, questionnaires containing indicators measured using a Likert scale were distributed to respondents who are PT. Jamkrindo Syariah clients. The analysis was conducted using the procedures of inner model evaluation to test the hypothesis using the path coefficient, R-square, Q-square, and goodness of fit, and outer model evaluation to test the validity and reliability of the instrument. The direct and indirect effects between the variables under study were then interpreted using the test findings.

IV RESEARCH RESULT

In this study, researchers tested models and hypotheses using the PLS technique. The PLS (Partial Least Squares) analysis consists of two parts: an outer model evaluation and an inner model evaluation. The following explains the evaluation of each model based on the analysis results.

Outer Model Testing

The outer model evaluation aims to determine the validity and reliability of the measurement instruments in the research model. This is done to determine how well the questionnaire items measure the properties and concepts of the variables being measured and to determine the consistency of the questionnaire items in measuring the same variables across time and place. Outer model analysis can be seen from the values of convergent validity, construct validity, discriminant validity, and composite reliability. The outer model is shown below.

Convergent Validity

The first outer model analysis is to examine convergent validity. Convergent validity testing in PLS can be performed by examining the values of each loading factor. The loading factor value describes the magnitude of the correlation between each measurement item (indicator on the questionnaire) and the latent variable (its construct). An indicator item is considered to have met convergent validity if the loading score for each path between the component (latent variable) and the manifest variable is >0.5 (Hair et al., 2021). The following table shows the results of the validation test based on the loading factor values for each indicator in this study.

Table 1 Loading Factors

	KL	KM	LM
KL1	0.865		
KL2	0.870		
KL3	0.884		
KL4	0.899		
KL5	0.882		
KM1		0.894	
KM2		0.886	
KM3		0.878	
KM4		0.894	
LM1			0.884
LM2			0.869
LM3			0.875
LM4			0.880

Table 1 above shows that all indicators for each variable have a loading factor value >0.5 . This indicates that the indicators in this study are statistically valid and meet the rule of thumb established by Hair et al., 2021, which is >0.5 , and can be used to measure the constructs in the study. The image below shows the research model processed using SmartPLS4, as follows.

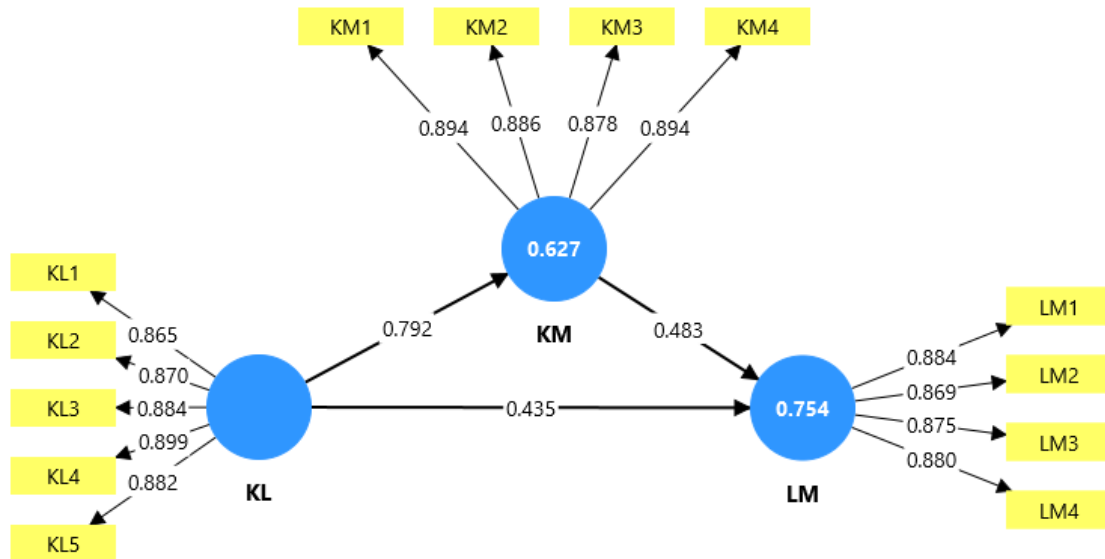


Figure 2 Outer Path Diagram of PLS Model

Construct Validity

The second stage of outer model analysis is to examine construct validity. Construct validity indicates the extent to which a test measures the theoretical construct upon which the test is based. A construct is said to have good construct validity if the average variance extracted (AVE) value is >0.5 (Jogiyanto, 2016). An AVE value >0.5 indicates that the probability of an indicator in a construct entering another variable is lower (less than 0.5); thus, the probability of the indicator converging and entering the intended construct is greater, namely above 50 percent (Jogiyanto, Abdillah & Hartono, 2016). The results of construct validity testing using SmartPLS are as follows:

Table 2 Average Variance Extracted (AVE)

Average variance extracted (AVE)	
KL	0.774
KM	0.788
LM	0.769

Based on table 2, it can be seen that the AVE value for each variable in the analysis model of this research has a good construct validity value, namely, the AVE value is greater than 0.5.

Discriminant Validity

Discriminant validity is a test conducted to determine whether each indicator that makes up a latent variable has a higher loading value compared to indicators for other latent variables. In the discriminant validity test, the parameter used is by comparing the root of the AVE of a construct, which must be higher than the correlation between the latent variables, or by looking at the cross-loading value (Abdillah & Hartono, 2016). The cross-loading table will show that each indicator in a construct will be different from the indicators in other constructs and will be collected in the intended construct. The following are the cross-loading values for each indicator:

Table 3 Cross Loading Value

	KL	KM	LM
KL1	0.865	0.702	0.707
KL2	0.870	0.688	0.709
KL3	0.884	0.734	0.720
KL4	0.899	0.685	0.711
KL5	0.882	0.673	0.747
KM1	0.710	0.894	0.742

	KL	KM	LM
KM2	0.683	0.886	0.723
KM3	0.694	0.878	0.720
KM4	0.723	0.894	0.752
LM1	0.745	0.732	0.884
LM2	0.670	0.714	0.869
LM3	0.735	0.746	0.875
LM4	0.713	0.706	0.880

Table 3 shows that the value of each indicator in one construct is higher than that of the other constructs and is clustered within that construct. Therefore, this study can be said to have good discriminant validity.

Composite Reliability

Reliability testing can be seen from the Cronbach's alpha and composite reliability values. A construct can be said to be reliable if its Cronbach's alpha value is greater than 0.6 and its composite reliability value is greater than 0.7 (Abdillah & Hartono, 2016). Composite reliability measures the actual reliability value of a variable, while Cronbach's alpha measures the lowest value (lower bound) of a variable's reliability, so the composite reliability value is always higher than the Cronbach's alpha value (Abdillah & Hartono, 2016). The following are the Cronbach's alpha and composite reliability values for each variable in this study:

Table 4 Composite Reliability and Cronbach's alpha

	Cronbach's alpha	Composite reliability
KL	0.927	0.945
KM	0.910	0.937
LM	0.900	0.930

Based on the table above, it can be seen that all constructs in this study have a Cronbach's alpha value > 0.6 and a composite reliability value > 0.7 ; thus, it can be said that all constructs are reliable. This can be interpreted as meaning that each construct in the research model has internal consistency in the instrument reliability test.

Inner Model Evaluation

Inner model or structural model testing is conducted to predict causal relationships between variables or to test hypotheses. This testing can be seen through the results of the coefficient of determination, predictive relevance, goodness of fit, path coefficients, and parameter coefficients. Once a significant relationship between variables is known, hypotheses can be drawn regarding the variables used in this study: service quality, brand trust, and brand loyalty. Hypothesis testing is conducted using bootstrapping. The following is the PLS bootstrapping output for the research model:

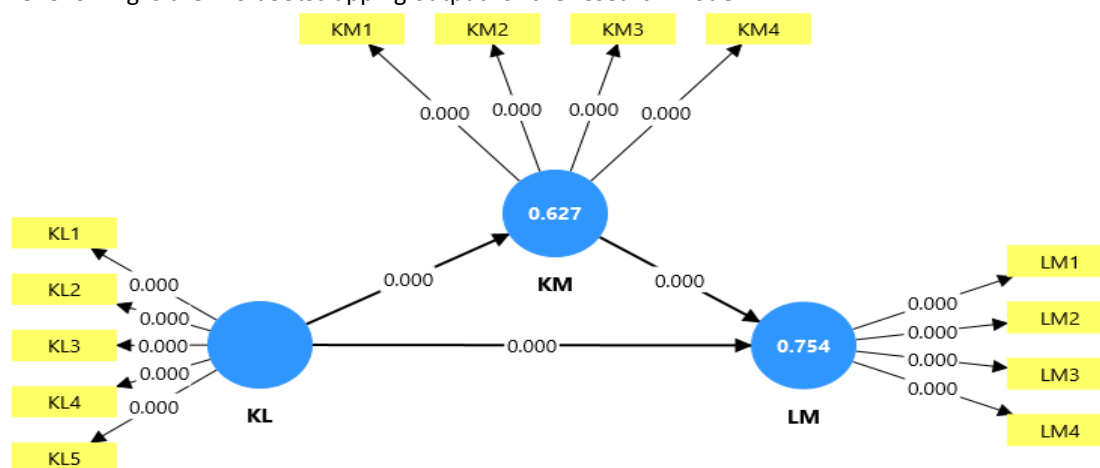


Figure 3 Inner Path Diagram of PLS Model

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Coefficient of Determination

Coefficient of determination analysis is conducted to measure the extent to which a model can explain variation in the dependent variable (Ghozali, 2014). The coefficient of determination ranges between zero and one. A smaller R-square value indicates very limited variation in the dependent variable, and a value closer to 1 (one) indicates that the independent variables are capable of providing all the information needed to explain and predict the dependent variable.

The coefficient of determination can be seen in the R-square table by multiplying the R-square value by 100%. A value greater than 67% indicates a good coefficient of determination. A value less than 67% but greater than 33% indicates a moderate coefficient of determination. A value less than 33% but greater than 19% indicates a weak coefficient of determination (Ghozali, 2014). The following table shows the coefficient of determination values:

Table 5 Composite Reliability and Cronbach's alpha

	R-square
KM	0.627
LM	0.754

Based on the R-square value displayed in the table above and after being multiplied by 100%, the coefficient of determination of each variable is 62.7% for brand trust. This means that the coefficient of determination of the brand trust variable has an influence on this study of 62.7%, while the remaining 37.3% is explained by other variables outside the research model. The brand loyalty variable has an influence of 75.4% on this study, while the remaining 24.6% is explained by other variables outside the research model.

Predictive Relevance

Predictive relevance in structural models is used to measure how well the model produces observational values and its parameter estimates (Ghozali, 2014). The value of predictive relevance can be determined by calculating the Q-square as follows:

$$\begin{aligned} Q^2 &= 1 - (1 - R^2_1) \times (1 - R^2_2) \\ &= 1 - (1 - 0.627) \times (1 - 0.754) \\ &= 1 - (0.373) \times (0.246) \\ &= 1 - 0.092 \\ &= 0.908 \end{aligned}$$

Based on the results of the Q-square calculation above, it can be stated that the model has a predictive relevance value of 0.908, or 90.8%. This shows that the analysis model has good predictive relevance.

Goodness of Fit

Goodness of fit is a test of the suitability or correspondence between certain observation results (observation frequencies) and the frequencies obtained based on their expected values (theoretical frequencies). The goodness of fit value can be determined through the following calculation:

$$\begin{aligned} \text{Goodness of fit} &= \sqrt{AVE \times R^2} \\ &= \sqrt{0.926 \times 0.691} \\ &= 0.799 \end{aligned}$$

It is evident from these computations that the study's goodness of fit value is 0.799. GoF has three criteria: small (GoF = 0.10), medium (GoF = 0.25), and large (GoF = 0.36). The computations above demonstrate that the measurement model and structural model's combined performance has a high value, specifically above 0.36. This clarifies why the empirical data matches or is consistent with the model (the data model is considered to be fit when there is no discrepancy between the two). (Ghozali 2011:345).

Hypothesis testing

Estimating the path coefficient, which can be assessed using the T-statistic value, is the next stage in the hypothesis testing process. The estimated value that characterizes the association between latent variables that was discovered during the bootstrapping process is indicated by the route coefficient estimate. If the p-value is less than 0.05 at a significance level of 0.05 (5%), and the T-statistic score or value is more than 1.96, the measurement item is considered significant. By examining the original sample's positive or negative results and the degree to which the independent variable influences the dependent variable, the

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parameter coefficient, on the other hand, shows the direction of effect (Ghozali, 2008). To display the T-statistic value, refer to the path coefficient table that follows.

Table 6 Path Coefficients

	Original sample (O)	T statistics ($ O/STDEV $)	P values
KL -> KM	0.792	28.159	0.000
KL -> LM	0.435	6.608	0.000
KM -> LM	0.483	7.642	0.000
KL -> KM -> LM	0.382	7.346	0.000

Based on the path coefficient test results in Table 6 above, the following research hypotheses can be proven:

1. The effect of service quality on brand trust.

The aforementioned data indicates that brand trust is positively impacted by service excellence. A substantial effect is shown by the parameter coefficient value of 0.792, the T-statistic value of $28.159 > 1.975$, and the p-value of $0.000 < 0.05$. H1 is accepted (supported) since it can be inferred from these statistical computations that service quality significantly and favorably affects brand trust in this research population.

2. The effect of service quality on brand loyalty.

The aforementioned data indicates that brand loyalty is positively impacted by service quality. A substantial effect is shown by the parameter coefficient value of 0.435, the T-statistic value of $6.608 > 1.975$, and the p-value of $0.000 < 0.05$. H2 is accepted (supported) since the statistical computations show that service quality significantly and favorably affects brand loyalty in this research population.

3. The influence of brand trust on brand loyalty.

The aforementioned chart demonstrates that brand loyalty is positively impacted by brand trust. A substantial effect is shown by the parameter coefficient value of 0.483, the T-statistic value of $7.642 > 1.975$, and the p-value of $0.000 < 0.05$. These statistical computations indicate that brand loyalty in this study population is positively and significantly impacted by brand trust; as a result, H3 is accepted (supported).

4. The role of brand trust as a moderator in the influence of service quality on brand loyalty.

The aforementioned table demonstrates how service quality's impact on brand loyalty is mitigated by brand trust. A substantial effect is shown by the parameter coefficient value of 0.382, the T-statistic value of $7.346 > 1.975$, and the p-value of $0.000 < 0.05$. Based on these statistical computations, it can be said that H4 is accepted (supported) because brand trust can increase the impact of service quality on brand loyalty.

V CONCLUSION

This study demonstrates that brand trust is significantly impacted by service quality. When the services offered by PT. Jamkrindo Syariah satisfy client needs and are accurate, timely, and founded on Sharia principles, their confidence is bolstered. These findings corroborate Zeithaml et al.'s (2009) assertion that establishing customer pleasure and trust is mostly dependent on service quality. As a result, a firm's position in the cutthroat insurance market can be strengthened by providing consistent, Sharia-compliant service quality.

Service quality has been demonstrated to have a direct impact on brand loyalty in addition to fostering trust. Positive customer service increases the likelihood that a customer will return and refer others to the service. This result is consistent with research by Tumpal et al. (2022), which discovered a direct link between customer loyalty and service excellence. This study, however, offers a new dimension by highlighting the fact that brand trust reinforces the influence of service quality, which will maximize loyalty.

One of the most important elements in building enduring relationships with clients is brand trust. Customers' loyalty grows when they believe Jamkrindo Syariah is trustworthy and consistent in applying Sharia law. This is in line with a study by Cemal Zehir et al. (2011), which highlights the importance of trust as a key component in fostering loyalty, especially in the service industry, which depends heavily on customer satisfaction and reputation. Put differently, brand trust acts as an emotional anchor that maintains consumer loyalty in the face of alluring offers from other businesses.

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Additionally, this study validates how brand trust strengthens the relationship between service quality and brand loyalty. This indicates that when trust is established first, service quality not only directly affects but also increases loyalty more successfully. This result supports the findings of Kabadayi et al. (2012), who found that trust is an important mediator between brand loyalty and service quality. This highlights the need for a management approach that prioritizes consistency in upholding customer trust in addition to service development.

Overall, by showing that service quality and brand trust work together to create brand loyalty in the Sharia-compliant insurance sector, this study empirically adds to the body of literature. Because adhering to Sharia principles adds value that is hard for rivals to copy, the Sharia context acts as a differentiator that fortifies this relationship. This research model has demonstrated strong predictive power with high R-square values and predictive relevance. The significance of creating service plans focused on Sharia compliance and enhancing brand trust in order to create enduring client loyalty are the managerial ramifications that result.

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