



Determinants of BMT UGT Sidogiri Customer Loyalty: Does Cultural Factor Have an Essential Role?

Aris Yajid Bustomi¹, Mohammad Bintang Pamuncak^{2*}, Diva Azka Karimah³

¹Program Studi Manajemen Bisnis Syariah, Fakultas Ekonomi dan Bisnis Syariah, Universitas Islam Tazkia,
Jl. Ir. H Djuanda No. 78 16810 Sentul City, Indonesia

²Faculty of Economics and Management, Universiti Kebangsaan Malaysia, 43600 Bangi, Selangor, Malaysia
and Program Studi Manajemen Bisnis Syariah, Fakultas Ekonomi dan Bisnis Syariah, Universitas Islam Tazkia,
Jl. Ir. H Djuanda No. 78 16810 Sentul City, Indonesia, mbintangp@tazkia.ac.id*

³Faculty of Economics and Business, Universitas Pembangunan Nasional "Veteran" Jakarta,
Jl. RS. Fatmawati Raya, Pondok Labu, Jakarta 12450, Indonesia

*) Corresponding author

Article History

Received:
7 October 2025

Revised:
15 December 2025

Accepted:
12 January 2026

Keywords:
Cultural,
customer loyalty,
customer
satisfaction,
pesantren.

Kata Kunci:
Budaya, kepuasan
pelanggan,
loyalitas
pelanggan,
pesantren.



Abstract. This study attempts to investigate the determinants of BMT UGT Sidogiri's customer loyalty. As one of the biggest BMT in Indonesia, BMT UGT Sidogiri has played an essential role in developing its community's economy through its business program. Factors such as brand image, profit-sharing, service quality, and cultural organization are employed in this study. This is because, BMT UGT Sidogiri is not only the largest BMT in Indonesia but also it initiated by Pesantren Sidogiri, one of the most respected *pesantren* in Indonesia which has unique cultural organization. This study finds that brand image has a negative-nonsignificant relationship with customer loyalty. Meanwhile, other variables such as service quality, profit-sharing, and culture have positive-significant relationship with customer loyalty that bridges by customer satisfaction. This study utilizes the partial least square-structural equation model (PLS-SEM) as a method. The result of the study is expected to contribute to the development of body of knowledge as well as practical implication of customer loyalty's determinants, particularly on cultural factors which can benefits other microfinance institution based *pesantren* such as Sidogiri.

Abstrak. Penelitian ini bertujuan untuk menyelidiki faktor-faktor yang memengaruhi loyalitas nasabah BMT UGT Sidogiri. Sebagai salah satu BMT terbesar di Indonesia, BMT UGT Sidogiri memiliki peran penting dalam mengembangkan perekonomian masyarakat melalui berbagai program usahanya. Penelitian ini menggunakan beberapa variabel, yaitu citra merek, sistem bagi hasil, kualitas layanan, dan budaya organisasi. Hal ini didasarkan pada karakteristik unik BMT UGT Sidogiri yang tidak hanya merupakan BMT terbesar di Indonesia, tetapi juga didirikan oleh Pesantren Sidogiri, salah satu pesantren tertua dan paling berpengaruh di Indonesia dengan budaya organisasi yang khas. Hasil penelitian menunjukkan bahwa citra merek memiliki hubungan negatif dan tidak signifikan terhadap loyalitas nasabah. Sementara itu, variabel lain seperti kualitas layanan, bagi hasil, dan budaya organisasi berpengaruh positif dan signifikan terhadap loyalitas nasabah melalui variabel mediasi kepuasan nasabah. Metode yang digunakan dalam penelitian ini adalah Partial Least Square-Structural Equation Model (PLS-SEM). Temuan penelitian ini diharapkan dapat memberikan kontribusi terhadap pengembangan khazanah keilmuan serta implikasi praktis mengenai faktor-faktor penentu loyalitas nasabah, khususnya peran faktor budaya yang dapat menjadi acuan bagi lembaga keuangan mikro berbasis pesantren lainnya seperti Sidogiri.

INTRODUCTION

The study of customer loyalty, particularly in banking and non-banking financial institutions has been continuing to patronage bank and non-banking financial institution over time. Recently, one of the biggest grass-root based Muslim organization in Indonesia, Muhammadiyah issues an instruction for all their business entities or Amal Usaha Muhammadiyah (AUM) to withdraw their deposit in the biggest sharia bank in Indonesia (Laras & Lestari, 2024). This evidence shows how the study of customer loyalty determinant is essential. By far, the degree of customer loyalty that patronage the bank and non-banking financial institutions can be investigated by tracking factors that encourage customers to consider their loyalty of specific bank and non-banking financial institutions and it can be varied over time (Yi & Jeon, 2003). For instance, during the end of 1999 to 2000, financial services institution has undergone significant changed due to intense competition and deregulation (Bloemer et al., 1998). Hence, in response to this, many banks have introduced innovative product and services that intended to retain their customer loyalty (Alam & Khokhar, 2006).

Furthermore, although theoretically the customer loyalty model is derived mainly from one reference which is Beerli et al. (2004), but literally, customer loyalty model is developed by many studies depending on their regional affiliation or demographical factors. For example, in Pakistan, Bilal (2010) proposes customer loyalty model based on Beerli et al. (2004) but it bridged by commitment based on trust of the customer. Meanwhile, unlike Bilal (2010), Magasi (2016) proposes a customer loyalty model that implemented for customers of banking services in Sub-Saharan area and the commitment factor is not bridged by the customer' trust. In Malaysia, customer loyalty model is more complex than in Pakistan and Sub-Saharan area. It is because, the customer loyalty model is based on expectations, social value, convenience and service encounter (Kishada & Wahab, 2013). Therefore, the customer loyalty lit erally not only determined by services quality, satisfaction, and switching cost as initiated by Beerli et al. (2004), but also commitment, expectations, social value, convenience, and service encounter in different demographics.

This study will focus on highlighting customer loyalty of bank and non-banking industry in Indonesia, particularly non-banking industry. This is because, Indonesia is one of the most advance countries that develop Islamic economic and banking globally. Recently, Islamic Development Banking (IsDB) has awarded Indonesia's cash waqf link sukuk, a hybrid contract between waqf and sukuk (Islamic bond) for its impact towards the society (Islamic Development Bank, 2023). Further, non-banking financial service factor is also one of the most developed industries in Indonesia, and of the non-banking sector is BMT UGT Sidogiri.

BMT UGT Sidogiri is one of the biggest BMT in Indonesia. BMT stands for *baytul mal wa at-tamwil* and in Indonesia BMT is referring to microfinance institutions (Susiyanti & Setyawan, 2022). Others classify that BMT initially has two roles. First is a non-profit financial institution that collect Islamic philatropy fund such as zakat, waqf, infaq and shadaqah, and second is commercial financial institution which also focuses as financial intermediary in micro scale in cooperative form (Rijal, 2020). Nevertheless, BMT Sidogiri is categorized as the second category.

As Islamic microfinance institution, BMT UGT Sidogiri has receive national attention where it awarded as the 1st rank of Islamic microfinance institution in Indonesia by Karim consulting in 2014 because of its large assets which reach more the 50 billion rupiah (Duta.co, 2019). BMT UGT Sidogiri itself literally initiated by the leaders (*kiyai*) of one of the most respected Pesantren of Islamic boarding school in Indonesia, Sidogiri. Therefore, all the customer of BMT UGT Sidogiri are their stakeholders of Pesantren Sidogiri which include their students (*santri*), their alumni, and their teachers (*asatiz*). It is then interesting to investigate the determinants of BMT UGT Sidogiri customer loyalty due to some reasons including first, its status as one of

the biggest Islamic microfinance institutions in Indonesia hence this study adds brand image as of the determinants and second, its customer characteristics which this study refers to the study of customer loyalty.

LITERATURE REVIEW

Customer Loyalty

The theoretical framework of this study mainly adopted from Beerli et al. (2004), where customer loyalty particularly in financial industry initially triggered by two factors. First, the advance and continuous relationship between the industry and its customers that resulted into specific customer-oriented product, and second, this advance and continuous relationship resulted into different interpretations on customer loyalty determinants. For example, the status of perceived quality whether it leads to customer satisfaction (Carman, 1990; Parasuraman et al., 1988; Bitner, 1990) or it has resulted in opposite point of view (Woodside et al., 1989; Reidenbach & Sandifer-Smallwood, 1990; Cronin & Taylor, 1992; Fornell, 1992; Anderson & Sullivan, 1993). Hence, Beerli et al. (2004) research's attempt to reconstruct customer loyalty study from the literature perspective before it tests by empirical methodology.

The customer loyalty itself referred by Beerli et al. (2004) must reflects into three actions of customer. Those actions are first, that customers attribute its beliefs by preferring into the brands due solely to the competitiveness in the financial industry, second, the customers must be loyal to the brand by buying all the brand products, and third, the customers must refer the brand product to others. These indicators are then adopted by several studies including Bilal (2010) and Magasi (2016). However, apart from the three indicators, some studies also include repeat purchasing of the brand's products. This is because purchasing decisions sometimes related to psychological matter as highlighted in Oliver (1999).

A more recent study like Winata and Fiqri (2017) clustered the loyal to the brand due to solely competitiveness indicator and buying all the brand products indicator as one clustered under repeat purchases. Winata and Fiqri (2017) argues that repeat purchasing led to customer to be loyal on one brand even the competitiveness happened in the industry also when customer buy all the brand product evidenced the repeat purchase itself. Winata and Fiqri (2017) then clustered the referral from loyal customer to others as one different cluster.

Customer Satisfaction

In the matter of customer loyalty determinants according to Beerli et al. (2004) is customer satisfaction. The indicators include, first, the type of response from the brand, second, the realization of expectations, and third the overall satisfaction towards the brand. Beerli et al. (2004) refer to Giese and Cote (2000) who suggest that customers satisfaction is basically comprised of those three basic elements. Bilal (2010) and Magasi (2016) also adopt these indicators to their studies. Further, Dennisa and Santoso (2016) who also refer to these indicators, clustered these indicators as a representation of "feel" of customers.

H1. Customer satisfaction has positive-significant relationship with customers loyalty

Service Quality

Another concept of customer loyalty determinants that according to Beerli et al. (2004) closely related to customer satisfaction is service quality. Even though its closely relation, Beerli, et al. (2004) argue that there is no consensus of its different as both having been used on occasion in an indistinct manner. For example, several literature claims that service quality leads to customer satisfaction (Carman, 1990; Parasuraman et al., 1988; Bitner, 1990) others argue in opposite point of view (Woodside et al., 1989; Reidenbach & Sandifer-Smallwood, 1990; Cronin & Taylor, 1992; Fornell, 1992; Anderson & Sullivan, 1993). Therefore, in Beerli et

al. (2004) research, the hypothesis between the two is causal. But this study adapts one way influence of service quality to customer satisfaction which basically follows Carman (1990), Parasuraman et al. (1988) and Bitner (1990).

The reconstruction of service quality indicators that mentioned by Beerli et al. (2004) is a lot. In total, there are 20 indicators of service quality that may give rise to causal relationships with customers satisfaction. The 20 indicators basically consist of two main indicators which are the facilities and employee management. Similarly, Parasuraman et al. (1985) also mention facilities and employee management as the indicators of service quality. However, unlike Beerli et al. (2004), Parasuraman et al. (1985) named facilities as tangible of services and they break down employee management into four indicators which include reliability, responsiveness, assurance, and empathy. Following Parasuraman et al. (1985), Keni and Sandra (2021) also mentioned the five indicators of services quality.

H2. Service quality has positive-significant relationship with customers satisfaction

What This Study Adapted from Customer Loyalty Theoretical Framework

Profit and loss-sharing

Other indicator of customer loyalty includes switching cost (Beerli et al., 2004). According to Beerli et al. (2004), there are three indicators of switching cost that may contribute to the customer's loyalty. This includes minimum effort in use the brand, minimum investing time in use the brand, and minimum risk in use the brand. However, another specific study was conducted on Islamic financial institution shows the importance of profit and loss-sharing as the determinants of customer loyalty. This include Syafaat and Putra (2022) and Alwathan and Nugraheni (2021). To measure the profit and loss-sharing basically Syafaat and Putra (2022) highlights the essential of comprehensive understanding of profit and loss-sharing concept, meaning that customers tend to be more loyal towards the brand because they know that the brand will implement the profit and loss-sharing fairly. Specifically, Alwathan and Nugraheni (2021) highlight the importance of pre-agreed ratio of profit and loss-sharing on customer loyalty of financial institution. Because the two indicators are 'rationale' determinant of customer in financial institution. Hence two indicators of profit and loss-sharing concept adopted for this study. The indicators are comprehensive understanding of profit and loss-sharing concept and pre-agreed ratio of profit and loss-sharing.

H3. Profit and loss-sharing has positive-significant relationship with customers satisfaction

Cultural factors

Apart from profit and loss-sharing adaptation from switching cost in the light of Beerli et al. (2004) customer loyalty determinants, this study also adapted some indicator as the possibility of demographical of customers may be detrimental to their loyalty. For example, in Pakistan, there is a role of trust (Bilal, 2010) meanwhile in Sub-Saharan Africa there is no role of trust (Magasi, 2016). In Malaysia, there is a role of expectations, social value, convenience and service encounter (Kishada & Wahab, 2013). Hence, this study adapts cultural factors to determine customer loyalty, as the object of the study is an Islamic microfinance initiated by one of the most respected *pesantren* in Indonesia that intended to develop not only its surrounding community but also its stakeholder which include its alumni, teachers, and students. In other word, the object of this study is very cultural because of how they organized their organization mostly top-down instruction from the elders of the *pesantren* or *kiyai*.

Furthermore, this study also argues that cultural of Islamic microfinance institution is also detrimental to the customer loyalty because of the characteristics of Islamic microfinance institution which is more democratic than conventional financial services institution. Mohamed and Elgammal (2023) proved that Islamic microfinance institution, unlike conventional microfinance institution is generally distribute credit

to female rather than male, distribute credit to more rural area than conventional microfinance institution and it's all distributed to loan group rather than individual loan. Mohamed and Elgammal (2023) even argue that due to this mechanism, Islamic microfinance institution is having lower credit risk rather than conventional microfinance institution. Therefore because of the two stated reasons, this study adapts cultural factors to evaluate the customer loyalty of Islamic microfinance institution.

To measure the cultural indicator, this study refers to Khan et al. (2022) and Wibowo and Hariyati (2020) who specifically highlight the role of national culture to financial sector development. Khan et al. (2022) highlighted the role of individualism which related to how individual of the organization such as managers, operators, and other drive the successfulness of the organization, uncertainty avoidance which related to how the stakeholder tolerate the uncertainty and ambiguity, masculinity which attributed to dominant gender role patterns such as male assertiveness and female nurturance, and power distance which related to fundamental problem of inequality on the organization as a measurement of cultural factors. They then clustered it as one individual cluster named "familiarity". Meanwhile Wibowo and Hariyati (2020) highlight cultural indicators of social value and belief towards the brand. The indicators include the comprehensive information and status and level of the brand among the society. For example, what the brand status is famous for in the society whether it is beneficial towards the community or not.

H4. Cultural has positive-significant relationship with customers satisfaction

Brand image

Finally, the last factor that may contribute to the customer loyalty is brand image. As the object of this study is one of the biggest Islamic microfinances and it is one of the most reputable Islamic microfinances in Indonesia, therefore the object of this study argues that there is an influence of brand image towards customer loyalty. The indicators to measure brand image itself adopted from Hoeffler and Keller (2003) and Damayanti and Wahyono (2015).

According to Hoeffler and Keller (2003), there are a lot of indicators for customer to consider the power of the brand. For example, brand familiarity which indicates by awareness of the brand. Many studies indicate the awareness of the brand, for instance by recognizing the brand image and dominance including in technology (Smith & Basu, 2002), recognizing the brand reputation because of its professionalism (Dodds et al., 1991; Rao & Monroe, 1898; Tse & Lee, 1993), brand pronunciation (Leclerc et al., 1994), and unique features including its business strategy (Feinberg et al., 1992). Meanwhile, Damayanti and Wahyono (2015) clustered brand image indicators by Hoeffler and Keller (2003) into at least two parts which are professionalism and technology. For example, professionalism is measured by brand reputation (Dodds et al., 1991; Rao & Monroe, 1898; Tse & Lee, 1993) and unique features including its business strategy (Feinberg et al., 1992).

H5. Brand image has positive-significant relationship with customers loyalty

Research Framework and Variable Description

After discussing the literature of customer loyalty, finally this study proposes a research framework that attempt to addresses the purpose of this study which to discover the determinants of customer loyalty of BMT UGT Sidogiri. The research framework is adapted from theoretical framework of customer loyalty by Beerli et al. (2004) and connecting it with the demographical factor which happens in Indonesia and the object of the study itself. Therefore, this research adopt cultural and brand image factors to assess the determinant of customer loyalty of BMT UGT Sidogiri in Indonesia. Figure 1 picturizes the research framework of this study.



Source: Authors, 2024.

Figure 1 Research framework in the research Determinants of BMT UGT Sidogiri Customer Loyalty: Does Cultural Factor Have an Essential Role?

In detail, each variable is described in the Table 1. The indicators are previously discussed in the literature, where most of the indicators are derived from both main source such as Oliver (1999), Beerli et al. (2004), Giese and Cote (2000), Parasuraman et al. (1985), Parasuraman et al. (1988), Khan et al. (2022), Hoeffler and Keller (2003), and secondary source such as Winata and Fiqri (2017), Dennisa and Santoso (2016), Keni and Sandra (2021), Syafaat and Putra (2022), Alwathan and Nugraheni (2021), Wibowo and Hariyanti (2020), Damayanti and Wahyono (2015). In total, there are 24 indicators from 5 variables including the intervening variable i.e., customer satisfaction. These 24 indicators are then process into questionnaire that will be distributed to the respondents which are the customers of BMT UGT Sidogiri.

Table 1 Variable description in the research Determinants of BMT UGT Sidogiri Customer Loyalty: Does Cultural Factor Have an Essential Role?

Factors	Dimension	Indicators	Source
Customer Loyalty (Z1)	Repeat	Repeat purchasing Loyal on one brand even the competitiveness happened in the industry also when Customers buy all the brand product evidenced the repeat purchase itself	Oliver (1999), Beerli et al. (2004), Winata & Fiqri (2017)
	Referral	Recommend the brand product	
Customer Satisfaction (Y1)	Feel	Overall satisfaction towards the brand Type of response from the brand Realization of expectation	Giese & Cote (2000), Beerli et al. (2004), Dennisa & Santoso (2016)
Service Quality (X2)	Tangible of services	Employees are tidy in appearance	Parasuraman et al. (1985), Parasuraman et al. (1988), Beerli et al. (2004), Keni & Sandra (2021)

Table 1 Variable description in the research Determinants of BMT UGT Sidogiri Customer Loyalty: Does Cultural Factor Have an Essential Role? (continued)

Factors	Dimension	Indicators	Source
	Employee management: Reliability	Employees are always willing to hope Employees will tell the exact time when the services will be performed	
	Employee management: Responsiveness	Employees are giving a prompt service Employees are never too busy to respond Employees are solving the problem when they promise to do so	
	Employee management: Assurance	Behaviour of employees instils confidence for customer Employees are having the proper knowledge	
	Employee management: Empathy	Employees understand your specific needs Employees has best interest at your heart Employees give individual and personal attention	
Profit and Loss-Sharing (X3)	Profit and Loss-Sharing	Comprehensive understanding of profit and loss-sharing Pre-agreed of profit and loss-sharing ratio	Syafaat & Putra (2022), Alwathan & Nugraheni (2021)
Culture (X4)	Familiarity	Individualism Power distance	Khan et al. (2022), Wibowo & Hariyanti (2020)
	Effect of social value and belief	Comprehensive information Status or level of the brand among the society	
Brand Image (X1)	Professional	Professionalism Capability to handle all element of society Put attention towards the society	Hoeffler & Keller (2003), Damayanti & Wahyono (2015)
	Technology	Modernity of the brand	

METHOD

This study utilizes Partial Least Square-Structural Equation Model (PLS-SEM). There are at least two steps in conducting PLS-SEM. First, measure the model with validity and reliability tests, and second, testing the hypothesis with significance test of path coefficients, R-Square, and T-Statistics (Taufiq, 2016). Further, in terms of population and sample size, the total customer of BMT UGT Sidogiri is approximately 22,315, this act as the total population. Meanwhile, to determine the sample size, this study uses Roscoe (1975) rule of thumbs.

1. Sample size must be 30 minimum and 500 maximums
2. If there is a sub-sample size, each sub-sample size must be 30 minimums
3. For multivariate regression, the sample size is 10 times of the total indicators. For example, if the indicators are 10 then the sample size is 100.

As explained before that in total there are 24 indicators that employed in this study, hence the sample size will be minimum of 240 respondents.

RESULTS AND DISCUSSION

Demographic of Respondents

As mentioned before, that the sample size is 240 respondents in minimum. This study manages to find 376 respondents which consist of 341 respondents are male and 35 respondents are female. Further, most respondents are residing in big cities of East Java, this is because the BMT UGT Sidogiri is in East Java. 65.7% of respondents become the customer of BMT UGT Sidogiri for more than one year and most of them are working as an entrepreneur or in private sectors with high school as their last education. Finally, as the customer of BMT UGT Sidogiri are mostly their stakeholders, most of the respondents are well known about Islamic jurisprudence transaction. Table 2 summarize the demographic of respondents.

Table 2 Demographic of respondents in the research Determinants of BMT UGT Sidogiri Customer Loyalty: Does Cultural Factor Have an Essential Role?

Demographic	Frequency	Percentage (%)	
Sex	Male	341	90.7
	Female	35	9.3
Domicile	Pasuruan	167	44.4
	Malang	75	19.9
	Probolinggo	32	8.5
	Surabaya	29	7.7
	Others	73	19.4
How long have you been the customer of BMT UGT?	1 year	129	34.3
	>1 year	247	65.7
Occupation	Entrepreneur or private sector	120	31.9
	Farmer	120	31.9
	Student college	47	12.5
	Civil servant	46	12.2
	Non-formal labour	28	7.4
	Others	14	4
Last education	High school	297	77.9
	Bachelor	69	18.4
	Middle school	11	2.9
	Magister / Graduate school	2	0.5

Table 2 Demographic of respondents in the research Determinants of BMT UGT Sidogiri Customer Loyalty: Does Cultural Factor Have an Essential Role? (continued)

Demographic	Frequency	Percentage (%)
Knowledge about Islamic jurisprudence transaction	Not very well	5
	Well known	278
	Expert	93

Source: Research finding by authors, 2024 (processed data).

Empirical Result

Validity test results

As mentioned before that in PLS-SEM, there are two steps. First is validity and reliability test and second is testing the hypothesis with significance test of path coefficients, R-Square, and T-Statistics (Taufiq, 2016). To conduct the validation test, this study uses Average Variance Extracted (AVE) where according to Ghazali (2014), the minimum value of AVE is 0.50 to be categorized as valid. The result shows that all variables are above 0.50 which indicates that all variables are valid. Table 3 shows the summary of AVE result.

Table 3 AVE validity test result in the research Determinants of BMT UGT Sidogiri Customer Loyalty: Does Cultural Factor Have an Essential Role?

Variable	Average Variance Extracted (AVE)
Customer loyalty (LP)	0.829
Customer satisfaction (KP)	0.668
Service Quality (SQ)	0.524
Profit Sharing (PS)	0.713
Culture (CU)	0.552
Brand Image (BI)	0.571

Source: Research finding by authors, 2024 (processed data).

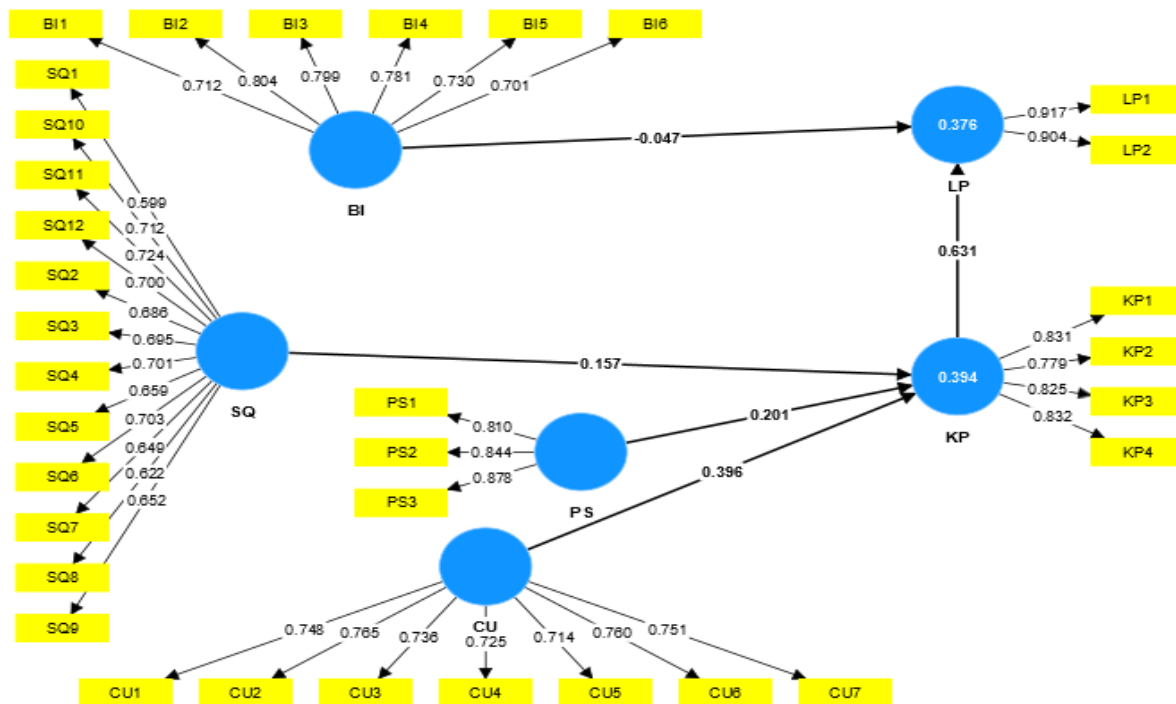
Reliability test results

To measure the reliability of the model, this study employs three techniques which are composite reliability, Cronbach alpha, and outer path test. According to Ghazali (2014), a variable is valid when composite reliability >0.60 , Cronbach alpha >0.70 , and outer path test >0.50 . The result of composite reliability, Cronbach alpha, and outer path test shows that all indicators and variables are passing the minimum requirement to be categorized as reliable. Table 4 and Figure 2 show the detail of all the indicators and variables reliability test.

Table 4 Composite reliability and Cronbach alpha result in the research Determinants of BMT UGT Sidogiri Customer Loyalty: Does Cultural Factor Have an Essential Role?

Variable	Composite Reliability	Cronbach Alpha
Customer loyalty (LP)	0.797	0.798
Customer satisfaction (KP)	0.839	0.834
Service Quality (SQ)	0.872	0.870
Profit Sharing (PS)	0.803	0.798
Culture (CU)	0.869	0.865
Brand Image (BI)	0.852	0.849

Source: Research finding by authors, 2024 (processed data).



Source: Research finding by authors, 2024 (processed data).

Figure 2 Outer path test result in the research Determinants of BMT UGT Sidogiri Customer Loyalty: Does Cultural Factor Have an Essential Role?

R-Square and t-Statistics

Ghozali (2014) divide the result of R-Square into three different interpretations. If the R-Square 0.02 then it literally says that the impact is likely to be low. Further, if the R-Square 0.15 then it literally says that the impact is likely to be middled, and if the R-Square 0.35 then it literally says that the impact is likely to be high. The result shows that the R-Square of customer loyalty is 0.376, this means that the impact of its endogen variable which are customer satisfaction and brand image is likely to be high, although it also suggests that other variable may contribute to the customer loyalty with total of 0.624 or 62.4%.

Meanwhile, the result of customer satisfaction shows that the R-Square of customer satisfaction is 0.396, this means that the impact of its endogen variable which are service quality, profit and loss-sharing, and culture is likely to be high, although it also suggests that other variable may contribute to the customer satisfaction with total of 0.604 or 60.4%. Table 5 shows the result of R-Square and Adjusted R-Square.

Table 5 R-square and adjusted R-square result in the research Determinants of BMT UGT Sidogiri Customer Loyalty: Does Cultural Factor Have an Essential Role?

Variable	R-Square	Adjusted R-Square
Customer loyalty (LP)	0.376	0.373
Customer satisfaction (KP)	0.396	0.388

Source: Research finding by authors, 2024 (processed data).

t-Statistics and hypothesis

To answer the hypothesis, this study uses t-statistics and p-value. The criteria of t-table are (1.972), with more than 300 respondents and p-value (0.05). The results show that all variables are having positive-significant relationship except the brand image-customer loyalty relationship. In specific, the t-statistic of brand image-customer loyalty relationship is lower than its t-table with p-value above 0.05.

Further, the relationship between service quality and customer satisfaction is positive-significant as shown by its t-statistics 2.407 with p-value 0.015 which is higher than t-table. The same result also happens to the relationship between profit and loss-sharing and customer satisfaction also culture and customer satisfaction with t-statistic 3.857 and 6.451 accordingly in 0.05 p-value. Finally, the relationship between customer satisfaction and customer loyalty is also positive-significant as shown by its t-statistics 14.429 with p-value 0.05. This means that the hypothesis of service quality-customer satisfaction, profit sharing-customer satisfaction, culture-customer satisfaction, and customer satisfaction-customer loyalty are accepted while hypothesis for brand image-customer loyalty is rejected. Table 6 shows the result of t-statistics and p-value of each hypothesis.

Table 6 t-statistics and p-value result in the research Determinants of BMT UGT Sidogiri Customer Loyalty: Does Cultural Factor Has an Essential Role?

Hypothesis	Coefficient	t-Statistics	P Value	Significance
BI -> LP	-0.047	1.028	0.304	Not Significant
SQ -> KP	0.152	2.407	0.015	Significant
PS -> KP	0.203	3.857	0.001	Significant
CU -> KP	0.397	6.451	0.001	Significant
KP -> LP	0.631	14.429	0.005	Significant

Source: Research finding by authors, 2024 (processed data).

Discussion

Theoretical implications

In general, the empirical results suggest that this study is robust. It evidenced by both validity and reliability test result. Not only that, but the empirical results also suggest that Beerli et al. (2004) customer loyalty's theoretical framework still exists and proved in this study. It evident that service quality and switching cost bridged by customer satisfaction are the determinants of customer loyalty even though in this study the switching cost variable is modified with profit and loss-sharing. Further, the second reasons why Beerli et al. (2004) customer loyalty's theoretical framework still exists also supported by the inexistence of brand image and customer loyalty relationships in the empirical results.

Nevertheless, the results of this study also proved that other factors that characterize by the demographic of the object of the study and characteristics of Islamic microfinance institution which represents by culture are also essential in determining customer satisfaction that bridges to the customer loyalty. Hence, it is not only supporting the modifications of customer loyalty of Beerli et al. (2004) framework like Bilal (2010) did in Pakistan and Magasi (2016) did in Sub-Saharan but also suggested that future study of customer loyalty in Islamic microfinance institution may consider specific variables that may contribute to customer satisfaction which is culture.

In specific, the existence of service quality and customer satisfaction relationships is supported by Akroush et al. (2015) and Pereira et al. (2016) which also evidence the concept of one-way relationship between service quality and customer satisfaction proposed by Carman (1990), Parasuraman et al. (1988) and Bitner (1990). Further, the profit and loss-sharing and customer satisfaction relationship exists in this study. This result supports not only Syafaat and Putra (2022), Alwathan and Nugraheni (2021) but also Rufaida and Alamsyah (2019). Finally, the existence of culture and customer satisfaction relationships is proving our proposal that there are demographic and specific organizational relationships with customers satisfaction that bridges to customer loyalty. This result supports Khan et al. (2022), Wibowo and Hariyati (2020), Ormang and Haddade (2022).

Practical implications

Recent incident happens between Muhammadiyah and BSI shows how the brand must really consider factors that will make their customers to be loyal. Among the variables that tested in this study, customers satisfaction is more detrimental to customer loyalty than brand image. These results suggest that if the brand want their customers to be loyal, they must consider their customer's satisfaction. And among the factors that contribute to customer satisfaction is service quality, profit and loss-sharing, and culture. Therefore, the brand must continue to maintain and develop their customer satisfaction through service quality, profit and loss-sharing, and culture. For example, by maintaining little power distance between the brand and its customers.

In specific, the empirical results urge BMT UGT Sidogiri to maintain their customer satisfaction through service quality, profit and loss-sharing, and culture, hence their customer will be more loyal. Among the service quality, profit and loss-sharing, and culture, the empirical results shows that culture is the most important variable of BMT UGT Sidogiri customer satisfaction, evidenced by its higher t-statistic result and coefficient compared to service quality and profit and loss-sharing. Hence, the management of BMT UGT Sidogiri has been successful to maintain the effect of power distance between its management and its customers.

Nevertheless, the empirical results also show that other variables may contribute to customer loyalty and customer satisfaction, evidence by the level of r-square which although according to Ghozali (2014) is showing strong relationships, but still open for other variables to contribute to both customer loyalty and customer satisfaction. Other variables may relate to different than demographic variables. For example, psychological factors or organizational behaviour factors.

CONCLUSION

This study attempts to investigate the determinants of BMT UGT Sidogiri's customer loyalty. As one of the biggest BMT in Indonesia, BMT UGT Sidogiri has played an essential role in developing its community's economy through its business program. Factors such as brand image, profit-sharing, service quality, and cultural organization are employed in this study. This is because, BMT UGT Sidogiri is not only the largest BMT in Indonesia but also it initiated by Pesantren Sidogiri, one of the most respected *pesantren* in Indonesia which has unique cultural organization. This study finds that brand image has a negative-nonsignificant relationship with customer loyalty. Meanwhile, other variable such as service quality, profit-sharing, and culture have positive-significant relationship with customer loyalty that bridges by customer satisfaction. This study utilizes the Partial Least Square-Structural Equation Model (PLS-SEM) as a method. The result of the study is expected to contribute to the development of body of knowledge as well as practical implication of customer loyalty's determinants, particularly on cultural factors which can benefits other microfinance institutions based on *pesantren* such as Sidogiri.

The results contribute to both theoretical and practical prospects. From the theoretical standpoint, the findings affirm the relevance of established customer loyalty frameworks. Although, this study also shows that other variables which is culture is having significant impact on customer satisfaction, and it bridges to customers loyalty. Hence it may reshape future studies on customer loyalty of Islamic microfinance institution. Furthermore, in practical perspective, the results show that BMT UGT Sidogiri urged to maintain their service quality performance, profit and loss-sharing, and culture as they are significantly determined their customer satisfaction which bridges to customers loyalty. Not only that, in the spirit of customer satisfaction, customers of BMT UGT Sidogiri also considers cultural a lot since the result of t-statistics is higher than other variable such as service quality and profit and loss-sharing.

REFERENCES

- Akroush, M. N., Dawood, S. A. & Affara, I. B. (2015). Service quality, customer satisfaction and loyalty in the Yemeni mobile service market. *International Journal of Services, Economics and Management*, 7(1), 53-73.
- Alam, M. & Khokhar, R., (2006). Impact of internet on customer loyalty in Swedish Banks. *Journal of Economic Psychology*, 16.
- Alwathan, R. & Nugraheni, P. (2021). Factors affecting customer loyalty of Islamic bank in Sumbawa City, Indonesia. *Muqtasid: Jurnal Ekonomi dan Perbankan Syariah*, 12(2), 119-128. <https://doi.org/10.18326/muqtasid.v12i2.119-128>.
- Anderson, E. W. & Sullivan, M. (1993), The antecedents and consequences of consumer satisfaction for firms. *Marketing Science*, 12.
- Beerli, A., Martin, J. D. & Quintana, A. (2004). A model of customer loyalty in the retail banking market. *European journal of marketing*, 38(1/2), 253-275.
- Bilal, A. (2010). Determinants of customer loyalty and proposing a customer loyalty model for the banking sector of Pakistan. *Management & Marketing-Craiova*, (1), 73-90.
- Bitner, M. J. (1990). Evaluating service encounters: The effects of physical surrounding and employee response. *Journal of Marketing*, 54, 69-82.
- Bloemer, J., De Ruyter, K. & Peeters, P. (1998). Investigating drivers of bank loyalty: The complex relationship between image, service quality and satisfaction. *International Journal of Bank Marketing*, 16(7), 276-286. <https://doi.org/10.1108/02652329810245984>.
- Carman, J. M. (1990). Consumer perceptions of service quality: An assessment of the SERVQUAL dimensions. *Journal of Retailing*, 66(1), 33.
- Cronin, J. J. Jr & Taylor, S. A. (1992). Measuring service quality: A reexamination and extension. *Journal of Marketing*, 56(3), 55-68.
- Damayanti, C. & Wahyono, W. (2015). Pengaruh kualitas produk, brand image terhadap loyalitas dengan kepuasan sebagai variabel intervening. *Management Analysis Journal*, 4(3), 236-251.
- Dennisa, E. A. & Santoso, S. B. (2016). *Analisis Pengaruh Kualitas Produk, Kualitas Layanan, dan Citra Merek terhadap Loyalitas Pelanggan melalui Kepuasan Pelanggan sebagai Variabel Intervening (Studi pada Klinik Kecantikan Cosmedic Semarang)*. (Undergraduate Thesis, Diponegoro University, Semarang, Indonesia).
- Dodds, W. B. Monroe, K. B. & Grewal, D. (1991). Effects of price, brand, and store information on buyers' product evaluations. *Journal of Marketing Research*, 28(3), 307-319.
- Duta.co. (2019 October 9). Dari toko kecil, Koperasi BMT sidogiri terus perluas pengembangan usaha [online]. [accessed 2025 Nov 15]. Retrieved from: <https://duta.co/dari-toko-kecil-koperasi-bmt-sidogiri-terus-perluas-pengembangan-usaha>.
- Feinberg, F. M., Kahn, B. E. & McAlister, L. (1992). Market share response when consumers seek variety. *Journal of Marketing Research*, 29(2), 227-237.
- Fornell, C. (1992). National satisfaction barometer: The Swedish experience. *Journal of Marketing*, 56(1), 6-21.
- Ghozali, I. (2014). *Structural Equation Modeling Metode Alternatif dengan Partial Least Square (PLS)*. Semarang (ID), Badan Penerbit Universitas Diponegoro.
- Giese, J. L. & Cote, J. A. (2000). Defining consumer satisfaction. *Academy of Marketing Science Review*, 1(1), 1-22.
- Hoeffler, S. & Keller, K. L. (2003). The marketing advantages of strong brands. *Journal of Brand Management*, 10(6), 421-445. <https://doi.org/10.1057/palgrave.bm.2540139>.
- Islamic Development Bank. (2023). Novel financing mechanism wins 2023 IsDB prize for impactful achievement in Islamic economics [online]. [accessed 2024 Aug 24]. Retrieved from: <https://www.isdb.org/news/novel-financing-mechanism-wins-2023-isdb-prize-for-impactful-achieve>

ment-in-islamic-economics.

- Keni, K. & Sandra, K. K. (2021). Prediksi customer experience dan service quality terhadap customer loyalty: Customer satisfaction sebagai variabel mediasi. *Jurnal Muara Ilmu Ekonomi dan Bisnis*, 5(1), 191-204.
- Khan, M. A., Gu, L., Khan, M. A. & Meyer, N. (2022). The effects of national culture on financial sector development: Evidence from emerging and developing economies. *Borsa Istanbul Review*, 22(1), 103-112.
- Kishada, Z. M. E. & Wahab, N. A. (2013). Factors affecting customer loyalty in Islamic banking: Evidence from Malaysian Banks. *International Journal of Business and Social Science*, 4(7), 264-273.
- Laras, A. & Lestari, H. P. (2024 June 8). Geger Muhammadiyah tarik dana dari BSI, ternyata mau dipindahkan ke sini [online]. *Bisnis.com*. [accessed 2024 Aug 24]. Retrieved from: <https://finansial.bisnis.com/read/20240608/90/1772309/geger-muhammadiyah-tarik-dana-dari-bsi-ternyata-mau-dipindahkan-ke-sini>.
- Leclerc, F., Schmitt, B. H. & Dubé, L. (1994). Foreign branding and its effects on product perceptions and attitudes. *Journal of Marketing Research*, 31(2), 263-270.
- Magasi, C. (2016). Determinants of customer loyalty in Sub Saharan African banking industry: An empirical review. *International Journal of Economics, Commerce and Management*, 4(2), 574-588.
- Mohamed, T. S. & Elgammal, M. M. (2023). Credit risk in Islamic microfinance institutions: The role of women, groups, and rural borrowers. *Emerging Markets Review*, 54, 100994.
- Oliver, R. L. (1999). Whence consumer loyalty?. *Journal of Marketing*, 63, 33-44.
- Omang, N. & Haddade, A. W. (2022). Kepemimpinan dan budaya islam dalam pengembangan kompetensi sumber daya insani perbankan syariah di tengah persaingan perubahan teknologi. *Jurnal Iqtisaduna*, 8(2), 62-79.
- Parasuraman, A., Zeithaml, V. A. & Berry, L. L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing*, 49(4), 41-50.
- Parasuraman, A., Zeithaml, V. A. & Berry, L. L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64(1), 12-40.
- Pereira, D., Giantari, N. G. K. & Sukaatmadja, I. P. G. (2016). Pengaruh service quality terhadap satisfaction dan customer loyalty Koperasi Dadirah di Dili Timor-Leste. *E-Jurnal Ekonomi dan Bisnis Universitas Udayana*, 5(3), 455-488.
- Rao, A. R. & Monroe, K. B. (1989). The effect of price, brand name, and store name on buyers' perceptions of product quality: An integrative review. *Journal of Marketing Research*, 26(3), 351-357.
- Reidenbach, R. E. & Sandifer-Smallwood, B. (1990). Exploring perceptions of hospital operations by a modified SERVQUAL approach. *Journal of Health Care Marketing*, 10(4), 47-55.
- Rijal, M. S. (2020). The legal entity of baitul maal wat tamwil (BMT) as a micro financial institution in Indonesia. *Trunojoyo Law Review (TLR)*, 2(2), 140-150.
- Roscoe, J. T. (1975) *Fundamental Research Statistics for the Behavioral Sciences*, 2nd ed. New York (US), Holt, Rinehart and Winston.
- Rufaida, E. R. & Alamsyah. (2019). Metode pengakuan pendapatan bagi hasil. *Jurnal Hukum Ekonomi Syariah*, 3(1), 27-39.
- Smith, T. & Basu, K. (2002). A view from the top: The impact of market share dominance on competitive position. *Journal of Brand Management*, 10(1), 19-32.
- Susiyanti & Setyawan, E. (2022). Identifikasi Tantangan dan Peluang Pengembangan Koperasi Simpan Pinjam Pembiayaan Syariah (KSPPS) Baitul Maal Wat Tamwil (BMT) Dalam Mendukung Peningkatan Inklusi Keuangan Syariah. Jakarta (ID), Strategi Nasional Keuangan Inklusif (SNKI).
- Syafaat, M. & Putra, A. N. (2022). Pengaruh profit sharing terhadap kepuasan nasabah (studi kasus pada Bank Mega Syariah Cabang Kota Palu). *Jurnal Ilmu Ekonomi dan Bisnis Islam*, 4(1), 17-30.

- Taufiq, A. (2016). Pengaruh motivasi intrinsik terhadap kinerja karyawan dengan kepuasan kerja dan disiplin kerja sebagai variabel mediasi pada Badan Pusat Statistik Kabupaten Magelang. *JBTI: Jurnal Bisnis: Teori dan Implementasi*, 7(2), 158-178.
- Tse, D. K. & Lee, W. N. (1993). Removing negative country images: Effects of decomposition, branding, and product experience. *Journal of International Marketing*, 1(4), 25-48.
- Wibowo, A. & Hariyati, N. (2020). Pengaruh budaya dan persepsi masyarakat non Muslim terhadap keputusan menjadi nasabah bank syariah Mandiri kantor cabang pembantu Bengkalis. *JPS (Jurnal Perbankan Syariah)*, 1(1), 29-42.
- Winata, A. & Fiqri, I. A. (2017). Pengaruh harga dan kualitas jasa terhadap loyalitas pelanggan hotel emersia di Bandar Lampung. *Jurnal Manajemen Magister Darmajaya*, 3(2), 133-148.
- Woodside, A. G., Frey, L. L. & Daly, R. T. (1989), Linking service quality, customer satisfaction, and behavioral intention. *Journal of Health Care Marketing*, 19, 5-17.
- Yi, Y. & Jeon, H. (2003). Effects of loyalty programs on value perception, program loyalty, and brand loyalty, *Journal of Academy of Marketing Science*, 31(3), 229-241.