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Indra Suwandi

Middle East and Islamic Studies, School for Strategic and Global Studies, University of Indonesia,
indragon13@gmail.com

Nurdin Sobari

Faculty of Economic and Business, University of Indonesia, nurdin.sobari@ui.ac.id

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Cover Page Footnote

This paper is a development of the author's previous research in his thesis on the variables of Inertia and Switching intention of 303 Muslim customers in Indonesia with eight hypotheses (Suwandi, I., 2019).

Inertia and Switching Intention Analysis of Muslim Customers to Switch to Sharia Banks in Indonesia

Indra Suwandi^{1*}, Nurdin Sobari²

¹ Middle East and Islamic Studies, School for Strategic and Global Studies, University of Indonesia, Jl. Salemba Raya No. 4, 10430, Jakarta, Indonesia

²Faculty of Economic and Business, University of Indonesia, Depok

ABSTRACT

The fact that the roles of Conventional Banking are still far dominant than Sharia Banking and keep growing show that most Muslims in Indonesia are inert to Conventional Banking. Unfortunately, research on this subject is very limited. This study aims to analyze the Inertia on Conventional Banking, and Intention to Switch to Sharia Banking of Muslim Customers. This is a quantitative research. Six antecedents of customer Inertia have been identified i.e.: Knowledge, Confusion, Similarity, Switching Costs, Satisfaction, and Religious Norms; and two antecedents of Switching Intention i.e.: Inertia and Satisfaction. 315 data from online survey were analyzed using SEM with the LISREL program, and Friedman Test with the PASW Statistics. That Knowledge and Similarities have significant negative effect; Confusion and Switching Costs have significant positive effect on customer Inertia; while Satisfaction and Religious Norms have no significant effect. Then that customer Inertia and Satisfaction have negative effect significantly on Switching Intention. Another important findings, there are significant difference of the levels of the customer Inertia, Satisfaction and Switching Intention indicators. The findings are critical because provide clear directions for Sharia Banking in formulating the effective and efficient development strategy. This is a little of research which analyzes the inertia and intention to switch to Sharia Banking of Muslim customers in Indonesia completely.

Keywords: Knowledge; Confusion; Similarities; Switching Costs; Satisfaction; Religious Norms; Customer Inertia; Switching Intentions; Sharia Bank/s.

1. Introduction

The global Islamic finance industry grew year on year by 11% to US \$ 2.4 trillion in assets in 2017. Most of it is in the Middle East and South and Southeast Asia (Thomson Reuters-IFDR, 2018, p. 4). At the end of 2013, of the total regional Islamic banking assets (\$ 135.5 billion), Malaysia accounted for 70.5%, followed by Indonesia, less than one-sixth, 9.5% (\$ 20.2 billion) (ADB-IFSB., 2015).

Sharia Bank (or Islamic Bank) is a Bank that carries out activities business *based on Sharia Principles*. Meanwhile, the Sharia Business Unit (hereinafter referred to as SBU), is the work unit of the Commercial Bank head office Conventional which serves as the main office of

* Corresponding author :

E-mail : indragon13@gmail.com

Affiliation : Middle East and Islamic Studies, School for Strategic and Global Studies,
University of Indonesia, Jl. Salemba Raya No. 4, 10430, Jakarta, Indonesia

office or unit that carries out business activities *based on Sharia Principles* (Undang-Undang Republik Indonesia nomor 21 Tahun 2008, p.3). Sharia Banks in Indonesia have a market potential of more than 200 million Muslims (Kementerian Perencanaan Pembangunan Nasional/Badan Perencanaan Pembangunan Nasional, 2018). However, based on the results of an analysis of Otoritas Jasa Keuangan Indonesia/Sharia Banking Statistics (2014, 2015 and 2018), it is known that the share of Sharia Banking both in terms of financing to and raising funds from the public is still minimal, until December 2019 only around 5-6% with numbers the growth of Sharia Banking is more volatile than conventional banks. In Indonesia, the Saving plays an important role for banks because it takes the number 1 proportion (around 97%) in terms of community involvement, and second (around 32%) after Deposits (TD) in terms of value (data from Deposit Insurance Corporation (LPS) in December 2015 and 2019). The very large involvement of the public of the Saving means a low concentration risk in terms of funding for banks. Particularly in terms of Third Party Funds (TPF), the number of TPF accounts of Sharia Banking is only under 30 million accounts (around 12%) of Conventional Banking with almost 250 million accounts, and Sharia Banking's total TPF are only around 370 trillion rupiah, compared to Conventional Banking which more than 5,600 trillion rupiah. Conventional Banking also have a better composition of funding sources because the Saving and the Current Accounts (the low cost fundings) dominate around 55% compared to Sharia Banking which accounts for more than 50% of the majority funding result from time deposits with an average cost of funds much more than three times that of the Saving or Current Accounts. These data reinforced the notion that the dedicated customer base of Sharia Banking is still very small (Cindy Li, 2016) and mostly Indonesian Muslims still have considerless the switching from Conventional Banking to Sharia Banking.

Muslims in Indonesia are very active in criticizing issues concerning the halal/haram of physical products (food and beverage including non-food and beverage, medicines, etc), and even tend to be very tighter (KemenHukHam RI-Badan Pembinaan Hukum Nasional, 2011). However, the halal/haram paradigm of Muslims towards financial services and products, especially banking, tend to be to be looser or permissive. Although the MUI Fatwa Decree of 2004 has stated that the interest in the practice of Conventional Banking is one form of usury, and is forbidden by law, the proportion of Muslims relating to and using Conventional Bank products and services is still significant and continues to increase. Kamla & Alsoufi (2014, citing Caeiro, 2004) revealed that the position of scholars regarding the problem of usury and bank interest could be grouped into three approaches: 1) Idealist regards bank interest as a

major sin; 2) Pragmatically, this approach seeks to avoid bank interest in innovative ways; and 3) Liberals, who consider that current bank interest is basically not evil. A research of Cindy Li (2016) found that although Indonesia has the largest Muslim population in the world, the economic decisions of retail banking customers seem to be based more on non-religious considerations.

The above data and phenomena show that the role of Sharia (or Islamic) Banking is still small and most Muslims are still comfortable with their conventional banking. These facts raise the question of what factors that influence Muslim bank customers to be inert on their Conventional Banking that it seems to make them difficult to switch to Sharia Banking. Unfortunately, research on the factors that influence the inertia of Muslims in Indonesia on Conventional Banking is still very limited, if any. This research is an attempt to answer these problems which will be a critical material in the formulation of a strategy for developing Sharia Banking. The focus of this research discussion is on saving product because the critical role of saving for banks and is the most basic relationship between the customer and the bank. So that, it will further sharpen the customer inertia analysis.

2. Literatures Review

Inertia is a form of retention without awareness, which is different from the concept of loyalty (Huang & Yu, 1999). Inert customers, have less motivation to consider alternatives (Colgate and Lang, 2001), because they are driven by comfort (Lee and Cunningham, 2001; Yanamandram & White, 2004), and prefer the status quo (Ye, G., 2005, p. 206). The research of Gray, et al. (2017) shows that *Satisfaction* is positively correlated with *Inertia* but is not significant. Therefore, the authors combine with research results that measure customer satisfaction from an Islamic perspective (Yaacob, 2014) and that the satisfaction dimension significantly influences the intention of Islamic bank customers to switch (Abduh & Kassim & Dahari, 2012). Gray, et al. (2017) shows that *Satisfaction* is positively correlated with *Inertia* but not significant, while Satisfaction was found to have a negative and significant effect on *Switching Intention* (Gray, et al. 2017), supporting the results of previous studies (Hui-Wen Chuah, et al., 2016) that the level of customer switching could be suppressed by customer satisfaction. Therefore, the authors develop the following hypotheses 1 and 2:

H1: *Satisfaction (perceived) on (products or services) Conventional Banks are positively related to Inertia on Conventional Banks.*

H2: *Satisfaction on Conventional Banks (products or services) has a negative effect on the Intention to switch to (products or services) Sharia Banks.*

The findings by Gray, et al. (2017) that greater consumer knowledge was found to reduce *Inertia* and significant, which supports the hypothesis that *Knowledge* will have a negative effect on *Customer Inertia*. Thus, the authors develop the following hypothesis 3:

H3: *Knowledge about (products or services) Sharia Banks will have a negative effect related to Customer Inertia on Conventional Banks.*

Whereas more significant *Confusion* is found to increase *Inertia* (Gray, et al., 2017, also supported by Shiu, JY. & Tzeng, SY., 2018). Therefore, the authors develop the following hypothesis 4:

H4: *Confusion on (products or services) Sharia banks have a positive effect on customer Inertia on Conventional Banks.*

Gray, et al. (2017) finds the hypothesis that the *Similarities* (offers) of competitors (against the existing service providers) have a positive effect on *Customer Inertia* is proven and significant. Therefore, the authors develop the following hypothesis 5:

H5: *(Perceived) Similarity (product or service offerings) Sharia Banks (relative to Conventional Banks) have a positive effect on Customer Inertia at Conventional Banks.*

Switching Costs are costs perceived by buyers to switch from existing providers to new providers (White & Yanamandram, 2007). Gupta (2017), and Gray, et al., (2017), explain that *Switching Costs* include search costs, uncertainty costs, learning costs, time and money costs. Gray, et al. (2017) proved that *Switching Costs* are found to have a positive and significant effect, even the most important ones, on *Customer Inertia*. Thus, the authors develop the following hypothesis 6:

H6: *Switching Costs (from Conventional Banks to Sharia Banks) are perceived to have a positive effect on Customer Inertia on Conventional Banks.*

People's degrees of risk aversion vary with personal and various other characteristics. Usman (2014) found that the higher the individual's belief that bank interest was prohibited, ie. individuals who have tighter (smaller) *Religious Norms* scores, would tend to choose Islamic banks, and vice versa. Usman (2015) and Rahman, et al. (2015) concluded that there

is a significant positive relationship between religiosity and attitude even though the *Norms of Religious* are not the only factor. Therefore, the authors develop the following hypothesis:

H7: *Religious norms that are (more) loose will have a positive effect on Customer Inertia on Conventional Banks.*

The natural inertia tendency of consumers towards a product or service that is based more on familiarity and comfort rather than a fundamental commitment to the brand is referred to as brand laziness (Kardes, et al. 2011, p. 182). Grays, et al. (2017) found that *Inertia* has a modest but moderate negative impact on the *Intentions* to switch that support the previous hypothesis. Chin-Hung Liu (2015) defines the *intention to switch* as an intention to defect or get out of a relationship that has existed so far. Thus, the authors present the following hypothesis:

H8. *Customer Inertia on (products or services) Conventional Banks have a negative effect on the Intention to Switch to (products or services) Sharia Banks.*

Realizing that customers may have a different disposition of inertia (Lee, R. & Neale, L., 2012) and other important underlying characteristics are important because they will determine an effective marketing strategy to reach each type of customer according to their characteristics. Lee & Neale (2012) divide customers into *high-inertia customers*, are customers with a *low tendency* to actively seek alternatives and consider switching service providers, and *low-inertia customers* are those with a high tendency to actively seek alternatives and consider for switching their service providers. Therefore, from some the previous hypotheses, three further hypotheses are developed as follows:

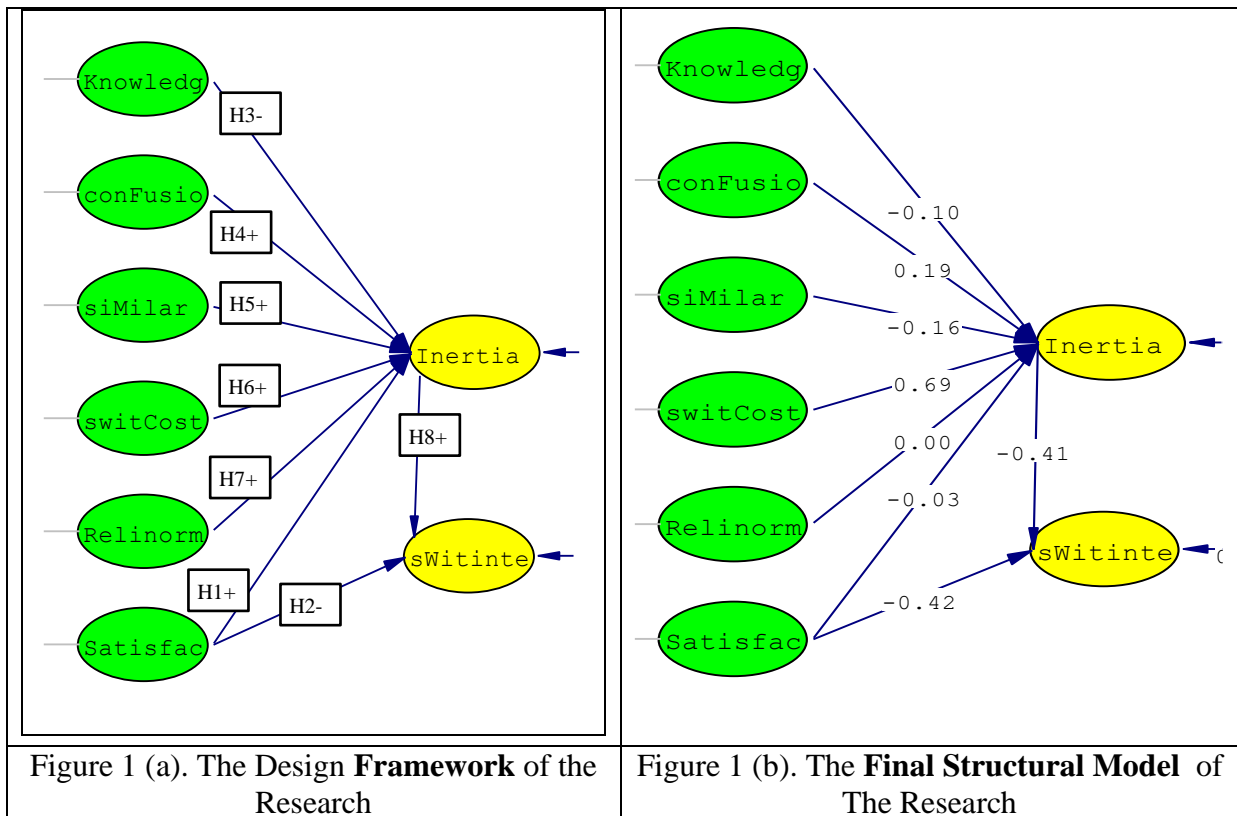
H9: *There are difference levels of the indicators of Customers Inertia on Conventional Banks.*

H10: *There are difference levels of the indicators of Customer Satisfaction on Conventional Banks.*

H11: *There are difference levels of the indicators of switching Intention to Sharia Banks.*

Then, the operational definition of the important terms in this research are: 1) **Customers** are Customers of Conventional Banking (abbreviated as CB) solely, or Conventional Banking and Sharia Banking (abbreviated as SB) who are Muslim; 2) **Knowledge** (KN) is the perceived knowledge of Muslim customers about products or services of SB; 3) **Confusion**

(CO) is customer confusion about (product or service) SB; 4) **Similarity** (SO) is the similarities perceived by customers between SB against CB; 5) **Switching-costs** (SC) is the perceived switching cost by Muslim customers from CB to SB; 6) **Satisfaction** (SA) is satisfaction perceived by customers at their current (product or service) CB; 7) **Religious Norms** (RN) is the degree of *leniency* of *Religious Norms* on bank interest adhered to by Muslim customers; 8) **Customers Inertia** (CI) is the inertia of customers on their current CB; 9) **Switching Intention** (SI) is the intention to switch from CB to SB. Based on the design framework, mainly, from research by Gray, et al. (2017), in the context of the cellular telephone service industry, and supplemented by research results by Usman (2015) and Rahman, et al. (2015), and the theory and results of the previous research, the authors develop the design framework and hypotheses of this study as shown in Figure 1.(a).



3. Research Methodology

This is a quantitative research. Data collection procedure using an online survey, using e-mail URL-embedded web questionnaire in Google form. The questionnaire consisted of two main groups: a) Descriptive questions; and b) Group of psikometri questions (the research variables questions). Each of the variable question items were assessed using a 7-point Likert

scale (scale 1-7, reflecting: from "Strongly Disagree"; "Disagree"; "Somewhat Disagree"; "Doubtful"; "Somewhat Agree"; "Agree"; to "Strongly Agree"). The study population is Muslims in Indonesia who have saving accounts in Conventional Banking, and both types of banks because the focus of this study is on *Inertia* on Conventional Banking. The survey was conducted on Muslim bank customers who live in cities in Indonesia that have Conventional Bank and Sharia Bank/Sharia Business Unit (Sharia Bank) using a *purposive nonprobability sample* referring to the some previous field researchs (Mahdzan & Zainudin & Sook, 2017; Sunyoto & Ghozali & Purwanto, 2017).

Data analysis was carried out into two sub-studies. In **sub-study 1**, analysis of the data obtained mainly uses Structural Equation Modeling (SEM) with the LISREL (Linear Structural RELations)-8.70 program which is the most widely used SEM program (Schumacker, RE., & Lomax, RG., 2010). A two-stage SEM process approach was used as follows: 1) Examining the goodness of fit (GOF) and construct validity of the proposed measurement model by conducting confirmatory factor analysis (CFA); 2) Then, structural modeling was built, based on the theoretical model proposed from the previous CFA results, and used to test the hypothesized theoretical model (hypotheses 1-8 testing) (Gozhali, 2017; Gozhali & Fuad, 2014). The Robust-Unweighted Least Square (RULS) estimation method used in data processing related to the research data category is an ordinal scale and refers to previous study (Tello & Ramírez & García, 2018; Cheng-Hsien Li, 2016), and this method is in line with Joreskog, KG. (2002 revised 2004) which maintains an estimation method that uses polycoric correlation when dealing with Likert-type scales.

In **Sub-study 2**, descriptive analysis conducted to test hypotheses 9, 10, and 11, and analysis of the proportions of each group to obtain an overview of the potential development of Sharia Bank. To limit the scope of research and accordance with the purpose of this research, focus analysis will be on *Inertia*, *Satisfaction* and *Switching Intention* variables. Differences tests to indicators of *Inertia*, *Satisfaction* and *Switching Intention* variables using Friedman test with PASW Statistics 18.

4. Results and Discussion

4.1 Sub-study 1 - Analysis of measurements and the relationship between research variables.

Before the questionnaire widely distributed, the test questionnaire was sent to twenty respondents and the initial sixteen of responses were obtained, and some little improvement

has been made from the results of these trials. To avoid possible bias answering from the respondents, the order of the questions were randomized. The questionnaire have been distributed in 2019 and obtained 372 responses. Then, 47 responses from non-Muslim customers and 10 responses from Muslims who are not Conventional Banking's customer have been wiped out. Also, in the process of data maturing, it has been checked that all respondents are in a city where the Sharia Bank/UUS is available. So that 315 raw data obtained according with the criteria of this study for further processing by SEM. With the total initial variables of this research are 30, the 315 of samples are sufficient with the complexity of this research model and meets the requirements of good modeling practice (Hair, Jr., et al., 2014).

Examination of the offending estimate, and model fit (Good of Fit (GOF)) of the initial structural model and the validity tests of the constructs of the initial measurement model with CFA (Gozhali, 2014; Hair Jr., et al, 2014) have been carried out using the ideal Standardized Loading Factor (SLF) estimate. Based on the CFA results, in order to obtain an strong final research model with high validity and reliability while still fulfill the principle there must be at least three indicators for each construct (Hair Jr., et al, 2014), the indicators with a value of Loading <0.70 of construct with more than three indicators (namely *Similarity* (SO) and *Inertia* (CI)), (those are SO 1, SO 2, CI 1, and CI 2) have been removed. The *Final Structural Model* results from data processing using indicators with the highest loading factor in the form of a path diagram are given in Figure 1 (b) and in the output Table 1 (Validity and Reliability Test Results), and Table 2 (Structural Equations) of the Final Structural Model.

The test results show that of the 26 indicators, 22 indicators have ideal validity, 4 with practically significant (SLF: $0.50 - <0.70$). All *T-values* of the indicators are also significant (between 4.30 - 48.51) much higher than critical value 1.96. The most reliable indicators with the highest R^2 of each variable are KN 1 = 0.94 (of *Knowledge*), CO 2 and CO 3 = 0.77 (of *Confusion*), SO 4 = 0.85 (of *Similarity*), SC 3 = 0.76 (of *Switching Costs*), RN 2 = 0.74 (of *Religious Norms*), CI 3 = 0.67 (of *Customers Inertia*), and $SI2^{\wedge} = 0.69$ (of *Switching Intention*). Thus, they proved that the Model of this research has significant good-ideal validity. Subsequently, the Constructs Reliability Test results for each construct (CR) show that 7 of the 8 constructs have well-combined reliability, and only 1 (*Confusion*) has acceptable reliability. As for the Average Variance Extracted (AVE) values showed that 6 latent variables have adequate convergence validity and only 2 are unadequate (*Knowledge*

and *Confusion*) but their values are close to the minimum limit (0.50). The results of these tests indicate that the Model of this research has good reliability. The Final Structural Model of this research also already has a good of GOF because has an RMSEA score of 0.07 (<the maximum requirement of 0.08); the Chi-square/df ratio is only 700/276= 2.53 (< the maximum requirement of 3). The GOF Index: 0.97, the Adjusted GOF Index: 0.97, the Normed Fit Index: 0.95, and Non-Normed Fit Index= 0.96, all exceed the minimum requirement of 0.90. Overall, the assessment results prove that the Final Structural Model of this research has good of fit, good-ideal validity, significant and high reliability. Therefore, hereafter, the authors use the results of the Final Model to test the hypothesized theoretical model and for further analysis.

Next, Table 2 presents a brief *structural equation* that explains the relationships (correlations) between the constructs of the Final Structural Model output of this Research.

Table 1. Indicators Validity and Reliability, and Constructs Reliability Test Results

Indicators	Constructs and Indicators (Measured Variables)	i SLF *1)	f SLF *1)	R ^{2*4)}
Knowledge (developed from Gray, et al. 2017) (3 items; CR= 0.97; AVE= 0.92)				
KN 1	I clearly understand Shariah Bank (SB) saving products.	0.96	0.97	0.94
KN 2	I clearly understand the features of SB saving products.	0.96	0.95	0.90
KN 3	I clearly understand the terms and calculations of fees and returns of SB saving products.	0.96	0.96	0.92
Confusion (of customer) (CO1 & CO 2 developed from Gray, et al. 2017 citing Ewing et al. 2005; CO 3 developed from Ghani, 2012) “As far as you think, will you say that you understand the contract, features, and provisions or calculation of the returns of the saving product SB/SBU?”. (3 items; CR= 0.90; AVE= 0.75):				
CO 1	The SB / SBU saving product contract is too complicated.	0.82	0.83	0.69
CO 2	Provisions or calculation of returns from SB / SBU saving products are too complicated.	0.86	0.88	0.77
CO 3	The terms used by SB/SBU are difficult to understand and remember.	0.91	0.88	0.77
Similarity of Competing (SO 1-SO 3 developed from Gray, et al, 2017 citing Patterson & Smith, 2003; SO 4-SO 5 refers to Ahmad, M., 2004): “As far as your thoughts about SB/SBU and its products are compared to Conventional Banks (CB), would you say the following things?”. (3 items; CR= 0.79; AVE= 0.56)				
SO 1 ^{*2)}	“All are similar, so it doesn't matter if I don't switch.”	0.56	-	
SO 2 ^{*2)}	“All offer a variety of similar services.”	0.53	-	
SO 3	“The profit from the mark-up practiced by the SB makes the debtor responsible for additional payments, which is similar to a fixed interest-based loan from CB.”	0.70	0.64	0.41
SO 4	“Did not find any real business difference between SB and CB.”	0.90	0.92	0.85

SO 5	“The "ratio" (<i>nisbah</i>) of deposits in SB for depositors which are equalized directly to an interest rate is the same as CB deposit rates.”	0.70	0.65	0.75
Switching Costs (developed from Gray, et al., 2017 adapted from Aydin & Özer 2005). (3 items; CR: 0.87; AVE= 0.69)				
SC 1	If I switch to SB, the services offered by SB may not work as well as expected.	0.74	0.75	0.56
SC 2	I am not sure the results or profit from transacting with SB will be better for me.	0.88	0.86	0.74
SC 3	Even if I have sufficient information, comparing CB’s products and services with SB’s will require a lot of energy, time and effort.	0.86	0.87	0.76
Religious Norms (from Usman, H., 2015, p. 37 citing Rahman, 1982). (3 items; CR= 0.81; AVE= 0.59)				
RN 1	Bank interest should not be prohibited if the interest rate is reasonable.	0.68	0.69	0.48
RN 2	Bank interest should not be prohibited if it is for investment not consumption.	0.86	0.86	0.74
RN 3	Bank interest should not be prohibited if the interest is to compensate for the losses of depositors related to inflation.	0.75	0.75	0.56
(Customers’) Satisfaction. (SA 1-SA3 developed from Gray, et al, 2017 citing Ruiz et al, 2010; SA 4-SA5 adapted from Yacoub, 2014). (5 items; CR= 0.88; AVE= 0.60)				
SA 1	“Using my CB service is a satisfying experience.”	0.74	0.75	0.56
SA 2	“My choice to use my CB is a wise choice.”	0.70	0.69	0.48
SA 3	“My CB product or service is not detrimental.”	0.86	0.84	0.71
SA 4	“Costs and interest rates are reasonable or acceptable.”	0.79	0.77	0.59
SA 5	“My CB product or service does not conflict with Sharia compliance.”	0.83	0.80	0.64
Customers Inertia *(developed from Gray, et al, 2017 citing Han, et al. 2011b): “As far as you are concerned, to switch to SB?”.): (3 items; CR: 0.81; AVE= 0.59):				
CI 1 ^{*2)}	Switching to SB/SBU deposit products and services will be troublesome.	0.51	-	-
CI 2 ^{*2)}	It will be difficult to compare products or services between Conventional Banks and SB / SBU products or services	0.66	-	-
CI 3	The cost, time and effort of switching to SB’S saving products and services are high.	0.74	0.82	0.67
CI 4	In general, it will be troublesome and inconvenient to move my balances to SB.	0.83	0.74	0.55
CI 5	In general, it will be troublesome and inconvenient to move my banking transactions to SB.	0.80	0.75	0.56
Switching Intention *(adapted from Gray, et al, 2017 citing Bougie et al. 2003). (3 items; CR: 0.85; AVE= 0.65)				
SI 1	I will move on to SB within the next year.	0.90	0.82	0.67
SI2 ^{*3)}	I will move from my Conventional Bank in the next year	0.67	0.83	0.69
SI 3	I will transfer my funds or banking transactions to SB in the next year.	0.88	0.77	0.59
Note: ^{*1)} i SLF = Initial SLF based on CFA of the initial model; f SLF= final SLF. based on the Final Structural Model; Significance for sample amount ≥ 250: SLF ≥ 0.35= minimal level; 0.50 - < 0.70= practically significant; ≥ 0.70= well defined/ideal; 2) CR: ≥ 0.70 = good reliability; ≥ 0.6 = acceptable reliability; AVE= ≥ 0.50= adequate convergence (Hair. et al. (2014). ^{*2)} These are indicators with a value of Loading < 0.70 based on CFA of which then have been removed in the				

Final Structural Modelling.

*3) (SI 2^ indicator is the conversion result of the initial SI 2 indicator (a control question "I will stay with my Conventional Bank in the next year") as well as all its survey results have been converted to be in line with the Switching Intention construct and two other indicators (SI 1 and SI 3).

*4) R²= Coefficient of determination or squared multiple correlations. The **bold** fonts indicate the most reliable indicators of each construct.

Tabel 2. Structural Equations- Final Structural Research Model

Inertia=	(-) 0.102* Knowledg	(+) 0.186* conFusio	(-) 0.156* siMilar	(+) 0.692* switCost
	(0.0458)	(0.0692)	(0.0690)	(0.0720)
	-2.219	2.690	-2.260	9.620
	(+) 0.00475* Relinorm	(-) 0.0348* Satisfac	Errorvar.= 0.381,	R² = 0.619
	(0.0718)	(0.0725)	(0.116)	
	0.0662	-0.481	3.286	
sWitinte=	(-) 0.408* Inertia	(-) 0.422* Satisfac	Errorvar.= 0.561,	R² = 0.439
	(0.124)	(0.0558)	(0.108)	
	-3.286	-7.557	5.176	

Discussion - Hypotheses testing. Based on the interpretation of the relationship (correlation coefficient) between constructs in structural equations (as in Table 3) and hypotheses testing (i.e. hypotheses H1 to H8) previously developed, the assessment of the direction and testing of the theoretical model hypothesized based on the testing results are as follows: 1) **H1**: The relationship of *Satisfaction* with *Inertia*= positive. Findings: *Inertia*= (-) 0.03**Satisfaction*, with *T-value*: 0.48 < *T-critical*: 1.96. This proves that *Satisfaction* (on Conventional Banking) has a negative effect to customer *Inertia* but not significant. Thus, *H1 is rejected*, supports the Gray, et al. (2017) study; 2) **H2**: The relationship of *Satisfaction* with *Switching Intentions*= negative. Findings: *Switching Intentions*= (-) 0.42**Satisfaction*, with *T-value*: 7.55 > *T-critical*: 1.96, means that *Satisfaction* (on Conventional Banking) has a negative effect to *Intention to switch* significantly. Thus, *H2 is accepted*, this supports the study of Gray, et al. (2017); Hui-Wen Chuah, et al. (2016); 3) **H3**: The relationship of *Knowledge* with *Inertia*= negative. Finding: *Inertia*= (-) 0.11**Knowledge*, with *T-value*: 2.22 > *T-critical*: 1.96. Thus, *H3 is supported*. It shows that greater consumer knowledge (about SB) will suppress *Customer Inertia* on Conventional Banking, also supports the study of Gray, et al. (2017); 4) **H4**: The relationship of *Customer Confusion* with *Inertia*= positive. Finding: *Inertia*= (+) 0.19**Confusion*, with *T-value*: 2.69 > *T-critical*: 1.96. It proves that *Customer Confusion* (about Sharia Banking) has a significant positive effect to *Customer Inertia* on Conventional Banking. Thus, *H4 is accepted* also, supports the Gray, et al. (2017) study and in line with the

finding that *Knowledge* has negative effect on *Inertia*; 5) **H5**: The relationship of *Similarity competing* with *Inertia*= positive. Finding: $Inertia = (-) 0.16 * Similarity\ competing$, with $T\text{-value}: 2.26 > T\text{-critical}: 1.96$. Difference with supposed before, it proves that perceived *Similarity* (between Sharia against Conventional Banking) has a significant negative effect to *Customer Inertia* on Conventional Banking. Thus, H5 is rejected. This result differs from the study of Gray, et al. (2017). Gray et al's. (2017) research context was the mobile telephone service industry, which is different from this research may be the reason for this difference. The mobile phone service industry does not intersect with religious aspects, which, on the other hand, are related in the Sharia banking industry; 6) **H6**: The relationship of *Switching Costs* with *Inertia*= positive. Finding: $Inertia = (+) 0.69 * Switching\ Costs$, and statistically significant with $T\text{-value}: 9.62 > T\text{-critical}: 1.96$. Accordingly, as expected, H6 is accepted. It proves that perceived *Switching Costs* has a significant positive effect even most importantly to *Customer Inertia* on Conventional Banking, same as the finding of Gray, et al. (2017); 7) **H7**: The relationship of *Religious Norms* with *Inertia*= positive. Finding: $Inertia = (+) 0.004 * Religious\ Norms$, with $T\text{-value}: 0.07 < T\text{-critical}: 1.96$. It proves that *Religious Norms* has a positive effect to *Customer Inertia* on Conventional Banking but not significant. Therefore, *H7 is rejected*. The direction of the influence of this variable is the same as the previous research results of Suwandi, I. (2019) but with a different significance. The result of the additional partial correlation test did find a correlation of $Inertia = 0.229 * Religious\ Norms$, with $T\text{-value} 2.186$, $R^2 = 0.05$. The greater influence of other constructs might reduce the significance of the relationship between *Religious Norms* and *Customer Inertia*. This reflects that the variables related to rational are more influential (such as *Knowledge*, *Switch Costs*, etc.) than variables that are religious in nature, relevant to the previous conclusions of Cindy Li's (2016); 8) **H8**: The relationship of *Customer Inertia* with *Switching Intentions*= negative. Findings: $Switching\ Intentions = (-) 0.30 * Customer\ Inertia$, and significant with $T\text{-value}: 2.17 > T\text{-critical}: 1.96$. Thus, *H8 is accepted*, supports the results of the previous Grays, et al. (2017) study which found that inertia has the effect of inhibiting the intention to switch to other service providers.

Table 2 also provides the *coefficient of determination (R²)* for the two structural equations with the following interpretation. For the endogenous construct of *Inertia*, the value of $R^2 = 0.619$ is obtained. This value can be interpreted that the *Knowledge*, *Confusion*, *Similarity*, *Switching Cost*, *Satisfaction*, and *Religious norms* constructs simultaneously can explain (high or low) variables of *Inertia* by 62%, and the remaining 38% is explained by other

variables outside this research. Whereas for the endogenous construct of *Switching intention*, the value of $R^2 = 0.44$ is obtained, which means that the *Inertia* and *Satisfaction* constructs are simultaneously able to explain (high or low) the variable of *Switching intention* by 44%, and other variables outside this research explain the remaining 56%.

All direction assessments and testing of the hypothesized theoretical model (for hypotheses 1 - 8) thus have been completed.

4.2 Sub-study 2 – Descriptive analysis.

Discussion - Different tests. The focus of further analysis is on *Customers Inertia* and *Satisfaction* (on Conventional Banking) which have a significant negative effect on *Switching Intention*, and on *Switching Intention* to Sharia Banking’s products or services as the final endogenous variable of this research refer to the results of previous hypothesis testing. For simplicity, based on the level of psychometric characteristics (*Inertia*, *Satisfaction* and *Intention*), the respondents will be divided into five groups of levels as shown in the Table 3.

Next, Table 4 gives a summary of all Friedman-difference tests of all indicators of *Customer Inertia*, *Satisfaction* and *Switching Intention* variables. The result of the three different tests obtained the all of Asymp. Sig. values= 0.000. These showed that, at α 1%, there are a significant difference in the level of *Customers Inertia* indicators, in the level of *Satisfaction* indicators, and in the level of *switching Intention* indicators. Therefore, hypotheses **H9**, **H10**, and **H11** are accepted. Therefore, further analysis of the indicator levels is carried out.

Table 3. Grouping of *Inertia*, *Satisfaction* and *Intention* Indicators Level

Response	Score Per Indicator	Group of Level
Strongly Disagree -Disagree	1 & 2	Low – Very-Low (L-VL)
Somewhat Disagree	3	Somewhat-Low (SL)
Doubtful	4	Moderate (M)
Somewhat Agree	5	Somewhat-High (SH)
Agree - Strongly Agree	6 & 7	High – Very-High (H-VH)

Table 4. Difference-Test Results and Level Composition Summary

<i>Customers Inertia</i>			Group of Customer’s Levels ¹⁾					Amount
			VL-L	SL	M	SH	H-VH	
Indicators	MS	Std.D	1&2	3	4	5	6&7	
CI 1	3,67	1,99	38%	10%	16%	12%	24%	100%
CI 2	3,52	1,73	36%	14%	18%	15%	17%	100%

CI 3	3,12	1,70	43%	17%	16%	13%	11%	100%
CI 4	2,85	1,73	53%	16%	11%	9%	11%	100%
CI 5	<u>3,56</u>	1,95	38%	15%	12%	12%	23%	100%
Asymp. Sig.		,000*	Chi-sq.= 63,69			df= 4		
Satisfaction								
SA 1	<u>5,10</u>	1,37	6%	6%	17%	24%	47%	100%
SA 2	4,41	1,58	14%	11%	24%	22%	29%	100%
SA 3	4,64	1,50	11%	8%	25%	21%	35%	100%
SA 4	4,38	1,64	17%	8%	22%	23%	30%	100%
SA 5	3,39	1,72	36%	11%	30%	10%	14%	100%
Asymp. Sig.		,000*	Chi-sq.307,87			df= 4		
Switching Intentions								
SI 1	4,50	1,54	11%	9%	33%	18%	28%	100%
SI 2^	<u>3,56</u>	1,59	31%	20%	26%	10%	14%	100%
SI 3	4,46	1,57	12%	10%	33%	17%	29%	100%
Asymp. Sig.		,000*	Chi-sq. = 159,08			df= 2		
Note: MS= Mean Statistic; Std. D= Standard Deviation; 0.000*= Significance at α 1%; 0.002**= Significance at α 5%								
1) The description of Indicator levels refers to Table 3								

Table 4 (column 'MS ') shows that referring to the *customer Inertia* variable, in general, the levels of inertia of the respondents are in the range 2.85 - 3.67 (fell into the group of customers with Somewhat-Low - Moderate inertia level). The CI 4 (MS= **2.85**) and CI 3 (MS= **3.12**) are the indicators which have the *lowest level* of *Inertia*. CI 3 was a response to the statement that “the *cost*, time and effort to switch to Sharia Banking's saving products and services high”, and CI 4 “in general, it would be a hassle and inconvenience to *move my balance* to Sharia Banking”. While CI 1 (MS= 3.67) and CI 5 (MS= 3.56) have the *highest level* of *Inertia*. CI 1 was a response of “Switching to Sharia Bank/SBU’s deposit products and services will be troublesome”, and CI 5 “In general, it will be troublesome and inconvenient to move my banking *transactions* to Sharia Bank”.

As for the *Satisfaction* variable, overall, the levels of *Satisfaction* of the respondents on their Conventional Banking are in the range 3.39 – 5.10 (came into the group of customers with Somewhat-High – High Satisfaction levels). But, the SA 5 (MS= **3.39**) indicator has the lowest level of perception of satisfaction. SA 5 was a response of “My Conventional Bank product or service does not conflict with Sharia compliance”. While SA 1 (MS= 5.10) and SA 3 (MS= 4.64) have the highest Satisfaction level. SA 1 was a response of “Using my

Conventional Bank service is a satisfying experience”, and SA 3 was a response of “My Conventional Bank product or service is not detrimental”.

Finally, generally, the levels of *Switching Intentions* to Sharia Banking of the respondents are in the range 3.56 – 4.50 (got into the group of customers with Moderate – Somewhat-High *Switching Intentions* levels). SI 1 (MS= **4.50**) and SI 3 (MS= **4.46**) are the indicators with the highest level of *Switching Intentions*. SI 1 was a response of “I will move on to Sharia Bank within the next year”, and SI 3 was a response of “I will transfer my funds or banking transactions to Sharia Bank in the next year”. While SI 2[^] (MS= 3.56) has the lowest *Switching Intentions* level. SI2[^] was a response of “I will move from my Conventional Bank in the next year”.

Discussion-the respondents variables characteristics. Research findings have shown that there are a negative relationship between *Customers Inertia* and *Satisfaction* variables to the *Intention* to switch to Sharia Banking. This means that the *Intention* to switch to Sharia Banking tends to be stronger if *Customers Inertia* and *Satisfaction* on Conventional Banking are low, and vice versa. For the *Inertia* and *Satisfaction* variables, the indicators of *Inertia* and *Satisfaction* show a tendency to be inert on Conventional Banking (or the reluctance to switch to Sharia Banking). The Low – Very-Low the scale of approval chosen by the respondent (which means more disagreement on the *Inertia* and *Satisfaction* indicators), the *stronger/higher* the respondent’s tendency to actively seek alternatives and consider switching service providers (i.e. to Sharia Banking), and vice versa. While, for the *Switching Intention* variable, its indicators show a tendency to move from Conventional Banking (or intention to switch to Sharia Banking). The High – Very-High the scale of approval chosen by the respondent (which means more agreement on the indicators of *Switching Intention*), the *stronger/higher* the respondent’s tendency to actively seek alternatives and consider to move to Sharia Banking, and vice versa.

Table 4 has detailed already the proportion of customers with a stronger/higher tendency to actively seek alternatives and consider moving to Sharia Banking in the shaded fields, that is data in columns VL—L for *Customers Inertia* and *Satisfaction* variables, and in columns H—VH for the *Switching Intention* variable. VL—L-*Inertia-Customers* and VL—L-*Satisfied-Customers* are customers (respondents) who Disagree—Very-Disagree (scale of answers 1&2) on indicators of *Inertia* and *Satisfaction*, and vice versa for H—VH-*Inertia Customers* and *Satisfied-Customers* (scale of answers 6&7): First, for the *Customers Inertia* variable, the

data shows that *the two largest* proportions of respondents are on the CI 4 and CI 3 indicators (53% and 43%, the numbers circled in columns 1 & 2), which are greater than the respondent group on the contrary with H-VH-Inertia (with the proportion only 11% - 24%, in columns 6 & 7). These perceptions are a relevant and logical thing related to the development of banking service technology today such as mobile banking and digital-banking which has dramatically facilitated inter-bank transactions or switching. Second, for the *Satisfaction* variable, the largest proportion of respondents with Low-VL-satisfaction only on the SA 5 indicator (36%, the numbers circled in columns 1 & 2) which are greater than the proportion of the SA indicators with H-VH-Satisfaction (the proportion between 14% - 35%, in columns 6 & 7), except than SA 1 (indicator which received the largest proportion of respondents with high-satisfaction by 47%). The strong perception of satisfaction on Conventional Banking is logical because Conventional Banking has served various financial transaction needs of the public decades ahead of Sharia Banking services, coupled with the development of transactions and current Conventional Banking banking service technology. Then, the third, customers with H-VH-*Intention to Switch* are customers who Agree—Very-Agree (answer scale 6&7) on the indicators of *Switching Intention*, and vice versa for customers with L—VL intention to switch (scale of answers 1 & 2). SI 1 or SI 3 indicators emphasize the intention to relate or move transactions or balances to the Sharia Bank (which means staying in touch with Conventional Banks). Therefore, the authors termed as "*partial switching*" (to Sharia Bank). Whereas SI² indicator emphasizes the intention to *stop dealing* with their existing Conventional Banks, the authors termed as "*full switching*". Table 4, in *Switching Intentions* row, for SI 2[^] indicator, in columns 1 & 2, shows that the highest proportions of the respondents are from the group of customers who have L-VL-*Switching Intention* (the numbers circled= 31%). But for SI 3 and SI 1 indicators, the numbers circled in columns 6 & 7, shows that the highest proportions of the respondents are from the group of customers who have H-VH-*Switching Intention* to Sharia Banks, for SI 3 and SI 1 by 29% and 28%, more than double the SI² indicator which is only 14%.

5. Conclusion.

This research finds important factors or variables that influence the inertia of Muslim customers in Indonesia on Conventional Banks and subsequently on their intention to switch to Sharia Banks. Furthermore, the results of descriptive analysis provide guidance on which areas need attention and what direction of improvement should be made from these factors. Four antecedents proved significantly influence *Customer Inertia* on Conventional Banks.

Two of them have a positive effect are customer's *Confusion* and perceived *Switching Costs* variables. While the two variables have a negative effect are *Knowledge* (about Sharia Banks) and *Similarity of Competiting*. Whereas two other antecedents (*Religious Norms* and *Satisfaction*) are found not to have a significant effect on *Customer Inertia*. The structural analysis results also proved that *Customer Inertia* and *Satisfaction* on Conventional Banks perceived by customers have a significant negative effect to *Switching Intention* (to Sharia Banks).

The difference test analysis proves that there are significant differences in the indicators of *Customer Inertia*, *Satisfaction*, and *Switching Intention*. Therefore, respondents can be segmented based on the level of variable characteristics into five levels, starting from Low Level to High Level. For the *Customers Inertia* variable, generally, the average level of inertia belong to Slightly-Low – Moderate level. However, the analysis shows that the majority of customers ($\geq 50\%$) belong to the Slightly-Low – Very-Low inertia customer group, greater than the High-Very - High inertia customer group for almost all inertia indicators except for CI 1 Indicator. For *Satisfaction* variables, overall respondents are included in the Slightly-High – Very-High segment. The proportion of customers who are satisfied and very satisfied with the products or services of Conventional Banks are the majority ($> 50\%$), greater than customers who are dissatisfied, except for indicator SA 5. Satisfaction indicators with the largest proportion are SA 1 and SA 3 (related to rational aspects, motives economy). Whereas, the proportion of customer satisfaction related to the aspect of meeting the needs of sharia compliance (SA 5) is much smaller. These findings indicate that although, in general, the majority of Muslim customers have high satisfaction with their Conventional Banks, they still doubt the shariah compliance of Conventional Bank products or services. This could be an opportunity to formulate a better marketing strategy for Sharia banks.

For *Switching Intention* variable, the further analysis showed mixed results. In general, based on the average levels of *Switching Intention*, the respondents got into the segment of Moderate – Somewhat-High level. The results indicate that the effect of Inertia on Conventional Banking for the next twelve months (*future inertia*) is still strong which affect the perception of the difficulty of switching to Sharia Banks. The result of the *Switching Intentions* analysis confirms that switching tends to be more accepted by customers if it is only in the form of switching funds or banking transactions to Sharia Banks or also having an

account at Sharia Banks (*partial switching*) rather than a switching that is perceived as moving from or closing a relationship with their Conventional Banks all the time (*full switching*). In addition, there is a group of customers who have a significant proportion (26% - 33%, Table 4, column M-*Switching Intentions*), those are the group that still does not have a clear intention (doubtful) to switch.

All of the aboved findings and results of the analysis indicate that there is still a significant opportunity from the Muslim community in Indonesia to switch to Sharia banks and make the Sharia account as their main account in the next. Certainly, it must be supported by the strategy and development of appropriate Sharia Bank products and services by taking into account various important characteristics of Muslim customers in Indonesia.

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