DISPLACED COMMERCIAL RISK AND ITS EFFECT ON ISLAMIC BANK CUSTOMER LOYALTY: AN ANALYSIS OF SUPPORTING FACTORS

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Abstract

The purpose of this study is to determine what factors encourage the emergence of Displaced Commercial Risk in Islamic banks and their effect on the loyalty of Islamic bank customers. Displaced Commercial Risk is a risk that occurs due to changes in the level of returns provided by banks to customers, resulting in indications that customers move some of their funds from Islamic banks to conventional banks. This study uses multiple linear regression analysis, by conducting reliability and validity tests, classical assumption tests and hypothesis testing. The sample of this research is Islamic Bank customers who have met the sample determination criteria of 150 respondents. The results showed that there are three factors driving the emergence of Displaced Commercial Risk in Islamic banks, namely the Return Rate, Islamic Bank Operations and Return Expectations. Of the three factors, the Expectation of Yield factor does not have a significant effect on the loyalty of Islamic Bank customers.

Keywords: Displaced Commercial Risk, Islamic Bank Operations and Expected Return, Rate of Return

1. Introduction

The banking sector, including Islamic banking, has a strategic position as an intermediary and payment system support institution (Zainordin *et al*., 2016). The rapid development of the Islamic financial industry, in this case Islamic banking, has placed this industry in an increasingly important role in the global financial structure (Ezwan, Ilias, Mara, & Alam, 2012). Based on data from the State of the Global Islamic Economy in 2018, the global Islamic finance industry in 2016 recorded an income of USD 2,202 billion, of which USD 1,599 billion was obtained from the commercial Islamic banking sector

(BAPPENAS, 2018). Meanwhile in Indonesia, the development of Islamic finance in general also shows quite encouraging movements both on a national and international scale. When viewed based on the order of global Islamic financial assets, Indonesia is included in the top 10 largest owners of Islamic financial assets in the world (BAPPENAS, 2018). Based on data from the Financial Services Authority (OJK) in June 2023, Islamic Banking in Indonesia was recorded to have a market share of 7.3% and had total assets of Rp. 550.918 trillion (OJK, 2023).

The development of Islamic banks in Indonesia in recent decades continues to show positive and encouraging growth, which is reflected in the growing volume of business, investment funds and public deposits and the distribution of financing that continues to increase (Nastiti & Kasri, 2019). These developments are expected to make an important contribution to economic activity in Indonesia (OJK, 2015). However, in the midst of the positive growth of the Islamic banking industry which is quite encouraging with an average increase of around 33.2%, there is a phenomenon of slowing the growth of the business volume of Islamic banks in Indonesia which until the end of 2014 only recorded a growth of 12% as shown in Figure 1.
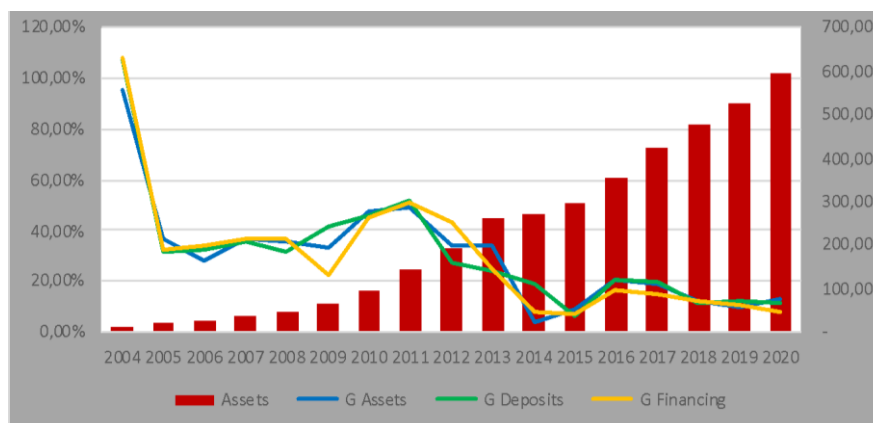

Figure 1 Development of Indonesian Islamic Banking 2004 - 2020

Based on Bank Indonesia data, since 2005 the growth of Islamic bank assets began to slow down, although the slowdown did not always mean negative. In 2005 the growth of Islamic banking assets decreased quite dramatically. Asset growth boomed in 2004 with a growth rate of 95% and dropped dramatically to 34.1% in 2012. Third-party funds as the main source of funding for Islamic banks also experienced the same thing. In 2004, the growth of third-party funds also boomed with a growth rate of 107.2%. While at the end of 2012 the growth rate fell to 27.8% (Hasanah, Achsani, & Ascarya, 2013).

As dynamic financial institutions, banks face permanent risks in the form of pressures and uncertainties both from internal and external to the bank itself (Islam, Vasilopoulos, & Pruyt, 2013). For banks, risk is a certain event (risk event) that is not expected and causes losses (Claessens & Kose, 2013) or a condition where investment returns are not as expected. Risk is the potential loss due to the occurrence of certain

events (OJK, 2016). This risk cannot be avoided, but must be managed properly without reducing the ease of implementation in the target that must be achieved.

Islamic banks will always face various risks due to the diverse and inherent complexity of their business activities (Mollah *et al.*, 2017). The external and internal banking situation is experiencing rapid development which is followed by the increasing complexity of the risks of banking business activities (Amer *et al.*, 2016). This condition causes the form of risk faced by Islamic banking to change. If at first, Islamic banking faced financing risk (credit) and market risk, then currently Islamic banking is faced with various new types of risks that are more complex (Rahahleh *et al.*, 2019).

Islamic banks face several unique risks that are not present in conventional banks. These risks include Rate of Return Risk and Equity Investment Risk. Investment risk in Islamic banks is interrelated with other risks. This can be seen in Figure 2 below:
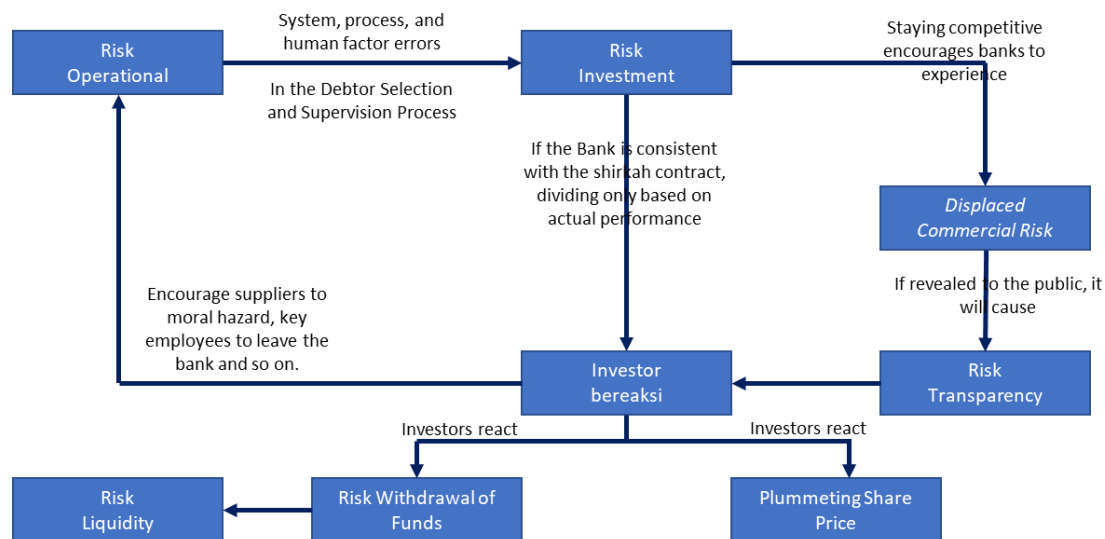

Figure 2 Relationship between Investment Risk and Other Risks in Islamic Banks

Source: (Wahyudi et al., 2013)

As can be seen in Figure 2. that the consequences of investment risk, Islamic banks will face the problem of Displaced Commercial Risk (DCR), which is the risk that occurs due to changes in the level of returns paid by banks to customers, resulting in indications of customers moving some of their funds from Islamic banks to conventional banks (Rismayani & Nanda, 2019). According to Zainol & Kassim, (2010), DCR arises as a consequence of yield risk, namely the risk that arises for Islamic banks even though Islamic banks have carried out their operations in accordance with sharia principles and banks are unable to compete in paying returns to depositors compared to the returns paid by conventional banks. This results in depositors withdrawing their funds or keeping them in Islamic banks.

Displaced Commercial Risk (DCR) is one of the significant risks for Islamic banks (Toumi *et* al., 2019). It refers to the potential for Islamic bank customers to switch to conventional banks due to various factors that cause customers to feel dissatisfied or

unsure of the performance and benefits obtained from Islamic banks (Saleh *et al*., 2017). Some factors that can cause Displaced Commercial Risk include: (1) Dissatisfaction with the rate of return. If Islamic banks cannot provide competitive or lower rates of return compared to conventional banks, customers may choose to switch. (2) Poor Operational Performance. If Islamic banks experience operational constraints or cannot provide satisfactory services, customers may lose trust and choose to use conventional bank services. (3) Changes in Return Expectations: If there is a change in interest rates that makes conventional banks offer higher returns, customers may be attracted to switch in order to get greater profits. (4) Fears of Massive Withdrawal of Funds: If customers are concerned about the low returns or instability of Islamic banks, they may make large withdrawals. This can be a serious risk if not managed properly by the Islamic bank (Arshad *et al.,* 2014; Tori *et al*., 2020; Arshada *et al*., 2015).

To overcome DCR, Islamic banks need to focus on improving service quality, operational efficiency, and increasing returns to remain competitive with conventional banks. In addition, effective marketing strategies and good communication to customers about the benefits and advantages of Islamic products can also help reduce this risk. It is important for Islamic banks to always understand customer needs and expectations in order to maintain customer trust and loyalty (Farook, Hassan, & Clinch, 2012; Farooq, 2012; Toumi, Viviani, & Chayeh, 2018).

2. Literature Review

2.1 Islamic View of Risk

Islam has provided a clear explanation of risk management (Bouslama & Lahrichi, 2017). This is in accordance with the words of Allah SWT, about the need to implement risk management in the face of uncertainty that will occur in the future. The Qur'an as the main reference of Islamic law in many verses has provided references to the importance of humans to pay attention to risk. Some verses in the Qur'an that discuss risk and risk management include QS. Yunus verse 31; QS Lukman verse 34; QS. Al Hasyr verse 18; QS. Yusuf verse 67. The scholars have agreed that there are two important rules that must be considered in running a business and every business transaction, namely *al-kharaju bidh dhamani* (income is a reward for the responsibility taken) and *al ghunmu bil ghurmi* (profit is a reward for readiness to bear losses). Islamic law also teaches the rule *"la darara wa la dirara"*, which is not allowed to involve yourself in something that will harm or destroy yourself without any effort to minimize the harm (Wahyudi, Rosmanita, Prasetyo, & Putri, 2015).

2.2 Risk Profile of Islamic Banks

In their business activities, all Islamic banks certainly have risks not only in complex products but also in simple products. In general, risk is an undesirable event or cause or

probability and the statistical expected value of an event that may or may not occur (Hull, 2018). As an effect of the complexity of contracts offered in Islamic banks, the risks faced by Islamic banks become more complex and difficult to identify (Akkizidis & Khandelwal, 2008).

The unique risks in Islamic banks arise from both the overall financial infrastructure and the various contracts that are based on sharia principles, this condition causes Islamic banks to have higher risk exposure when compared to conventional banks (Bacha, 2003; Iqbal & Mirakhor, 2011; Kayed & Mohammed, 2008). Some researchers categorize the risks in Islamic banks in various ways. Ahmed & Khan, (2007) categorized the risks in Islamic banks into Credit Risk, Market Risk, Markup Risk, Commodity/Assets Price Risk, Liquidity Risk, Operational Risk, Legal Risk, Withdrawal Risk, Fiduciary Risk, Displaced Commercial Risk, and Bundled Risk. While Akkizidis & Khandelwal, (2008) categorized the risks in Islamic banks into Credit Risk, Market Risk, Equity Risk, Liquidity Risk, Rate of Return Risk, Operational Risk and Legal Risk. While Financial Services Authority (OJK, 2016) states that there are 10 types of risks that must be assessed in Islamic banks, namely Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Legal Risk, Strategic Risk, Compliance Risk, Reputation Risk, Return Risk and Investment Risk.

2.3 Unique Risks in Islamic Banks

Hanim Tafri, Abdul Rahman, & Omar (2011) also suggested that some types of risks found in Islamic banks are also found in conventional banks. These risks include credit risk, market risk, liquidity risk, and operational risk. Apart from that, in line with its operations and peculiarities, Islamic Banks face unique risks that are not found in Conventional Banks, among others: Fiduciary Risk, Rate of Return Risk, Withdrawal Risk and DCR (Ahmed & Khan, 2007; Farooq, 2012). Fiduciary Risk arises from the failure of Islamic Banks to carry out their operations in accordance with the implicit and explicit standards applicable to fiduciary control (Greuning & Iqbal, 2008; Iqbal & Mirakhor, 2011). Rate of Return Risk is defined as the risk that arises as a result of the uncertainty of profits earned by Islamic banks on their assets (Iqbal & Mirakhor, 2011). Rate of Return Risk is also defined as the risk that occurs due to changes in the rate of return paid by banks to customers, so that there are indications that customers will move some of their funds from Islamic Banks to Conventional Banks (Rismayani & Nanda, 2019). Withdrawal Risk is the impact of competitive pressures among Islamic Banks and conventional banks. This occurs because the rate of return in Islamic Banks can fluctuate as an implication of the unique characteristics of Islamic Banks (Greuning & Iqbal, 2008). Islamic banks will be affected by this risk when customers get a lower rate of return than that offered by other banks.

DCR is a risk that occurs when the bank has carried out its operations in accordance with sharia principles and the bank is unable to compete in paying returns to depositors compared to the returns paid by competitors, namely conventional banks (Rismayani &

Nanda, 2019; Zainol & Kassim, 2010). DCR refers to the risk arising from assets managed on behalf of investment account holders that are transferred to the capital of the Islamic banking institution itself where the Islamic banking institution releases some or all of its share of profits on profit-sharing investment accounts, in order to increase the rate of return that should be paid to investment account holders (Arshad, Zakaria, Mohamad, & Irijanto, 2014).

DCR also refers to the risk of loss that Islamic banks absorb to ensure that PSIA depositors are paid a rate of return equivalent to a benchmark or competitive rate of return, as a result of DCR or regulatory pressures (Archer & Karim, 2007; El-Hawary, Grais, & Iqbal, 2004; Sundararajan, 2008). Toumi, Viviani, & Belkacem, (2010) found that Displaced Commercial Risk (DCR) is an unexpected loss that banks can absorb to ensure that investment account holders are paid a competitive rate. This risk is one of the factors causing withdrawal risk where banks are exposed to the risk of withdrawing deposits from their customers (El-Hawary et al., 2004; Touri, Ahroum, & Achchab, 2020). Displaced Commercial Risk (DCR) is also related to the fact that Islamic banks may experience pressure to smooth payment of profit-sharing rate of return in order to remain competitive and not lose customers.

2.4 Factors Affecting Displaced Commercial Risk

Based on several previous studies, it can be seen that the factors that affect Displaced Commercial Risk (DCR) include the following:

1 The Funds of Investment Account Holder (FIAH). FIAH refers to the amount of customer funds with investment accounts managed by Islamic banks (Rahmah & Riyadh, 2016). Under the mudharabah contract, the investment account holder agrees to participate as rabbul-mal and the Islamic bank as mudharib. As such, the investment account holder bears the commercial risk associated with the assets funded by the funds they provide. At the same time, the Islamic Bank is responsible for managing the investment assets and has a fiduciary duty to safeguard the interests of the investment account holders through the establishment of strict and prudent policies in the administration of the assets financed by the investment account holders (Arshad et al., 2014).

2 The Total Deposits (DIB). DIB is the sum of Islamic Bank customer funds from various sources. Islamic banks offer three categories of deposit facilities namely, current accounts, savings and investment deposits (Zakarneh, 2023). The form of deposit product facilities offered by Islamic Banks to their customers is made to meet the various motives of customers in managing their money.

3 The Islamic Rate of Return (RRI). The RRI refers to the standardized return of Islamic banks to address the information asymmetry between Islamic banks and depositors by

increasing the level of transparency and ensuring that depositors will receive a fair return on their investment (Jedidia, 2018).

4   The Conventional Interest Rate (IR). IR is the value, level, price or profit given to investors from use and investment on the basis of calculating economic value in a certain period (Ahmed *et* al., 2018). In a dual banking system where the Islamic Bank system and Conventional Banks operate side by side, changes in interest rates will put pressure on the Islamic Bank system. As a result, Islamic Banks are impacted by movements in Conventional Bank interest rates because the rate of return in Islamic Banks is very sensitive to changes in Conventional Bank interest rates.

2.5 Return Rate

Return rates that are not competitive compared to other Islamic banks or conventional banks cause customers to have reasons to withdraw their funds (Dzakiyah, 2018). Arshad, Zakaria, & Mohamad (2015) state that the uncompetitive rate of return of Islamic banks will trigger Displaced Commercial Risk. This condition is caused by Islamic banks being sensitive to changes in conventional bank interest rates, so that when conventional banks offer higher interest rates than the profit sharing rate of Islamic banks, there is a tendency for customers to withdraw their funds and move to conventional banks. The level of return in this study is measured by several questions, as follows: (a) When the level of return you receive decreases, will you decide not to switch?, (b) Do you think the profit sharing rate of Islamic banks is more profitable?, (c) Is the monthly fee at an Islamic bank lower? (Rohmatur A & Septarini, 2016).

2.6 Islamic Bank Operations

Displaced Commercial Risk can occur if an Islamic bank has poor performance in a period that affects customers and triggers customer displacement (Greuning & Iqbal, 2008). Violation of procedures, human error, operational failure are some of the causes of poor bank operations. Islamic bank customers have high expectations for the services of a bank (Arifin & Nasution, 2015). Bank operations in this case are measured by several questions, as follows: (a) Does the Islamic bank provide services as promised? (reliability). (b) Does the Islamic bank provide fast and precise service? (responsiveness). (c) Do Islamic banks instill a sense of trust and confidence in customers? (assurance). (d) Does an Islamic bank make it easy to contact the bank, friendly and friendly service? (empathy) (Rohmatur A & Septarini, 2016).

2.7 Return Expectation

Each customer has its own expectations of the returns it will get. For rational customers, if there is a change in yield expectations, this will affect the behavior of the customer (Dzakiyah, 2018). The higher the expectation of returns to be obtained, the more

customers will compare profit sharing between one bank and another. This condition will trigger Displaced Commercial Risk in Islamic banks. Return expectations in this case are measured by several questions, as follows: (a) Do you get a return or profit sharing at an Islamic bank that meets your expectations? (b) If the profit sharing provided is lower than the interest rate at a conventional bank, will you decide not to switch to a conventional bank? (Rohmatur A & Septarini, 2016).

3. Research Methods

The research approach used in this research is quantitative research. The population in this study were all Islamic Bank customers in Pekanbaru City. While the sample in this study were Islamic Bank customers who met the following sampling criteria: (1) Respondents are Islamic Bank Customers, (2) Respondents are Conventional Bank Customers, (3) Respondents are customers who have deposit accounts. The data used in this study are primary data. Meanwhile, the data collection technique used in this study is to use a questionnaire distributed to respondents who have met the sampling criteria.

This study uses multiple regression analysis tools, by conducting reliability and validity tests, classical assumption tests and hypothesis testing. The variables in this study consist of independent variables, namely the level of return (X1), bank operations (X2) and expected returns (X3) and the dependent variable, namely customer loyalty (Y).

4. Results and Discussion

In this section, the results of research that have been processed through statistical calculations and discussions that are analyzed with theory and previous research will be described.

4.1 Data Analysis Results

4.1.1 Validity and Reliability Test

Based on the results of the data validity test (Table 1), the independent variables in this study, namely the level of return, bank operations and return expectations, show valid results. This is reflected in the positive Pearson correlation value and a significance value of less than 0.05. Likewise, the customer loyalty variable as the dependent variable in this study also shows valid results. These results indicate that the indicators used are valid and can be used as a measuring tool for research.

Table 1 Validity Test of Research Variables

Variables	Indicator	Coefficient Correlation Pearson	Significance	Criteria	Description
Return Rate (X1)	X1.1	0,671	0,001	<0.05: positive	Valid
	X1.2	0,822	0,000	<0.05: positive	Valid
	X1.3	0,742	0,000	<0.05: positive	Valid

Bank Operations (X2)	X2.1	0,914	0,000	<0.05: positive	Valid
	X2.2	0,889	0,000	<0.05: positive	Valid
	X2.3	0,957	0,000	<0.05: positive	Valid
	X2.4	0,958	0,000	<0.05: positive	Valid
Expected Return (X3)	X3.1	0,878	0,000	<0.05: positive	Valid
	X3.2	0,889	0,000	<0.05: positive	Valid
Customer Loyalty (Y)	Y1	0,499	0,025	<0.05: positive	Valid
	Y2	0,822	0,000	<0.05: positive	Valid
	Y3	0,837	0,000	<0.05: positive	Valid
	Y4	0,728	0,000	<0.05: positive	Valid
	Y5	0,691	0,001	<0.05: positive	Valid

The results of the reliability Test are used as a basis for making decisions whether all question items are reliable or not. When viewed in table 2, the results of the reliability test on the independent variable and the dependent variable in this study show reliable results. This is reflected in the Cronbach Alpha value greater than the r table value of 0.444. These results indicate that the indicators used are reliable and can be used for the measurement of a study.

Table 2 Reliability Test of Research Variables

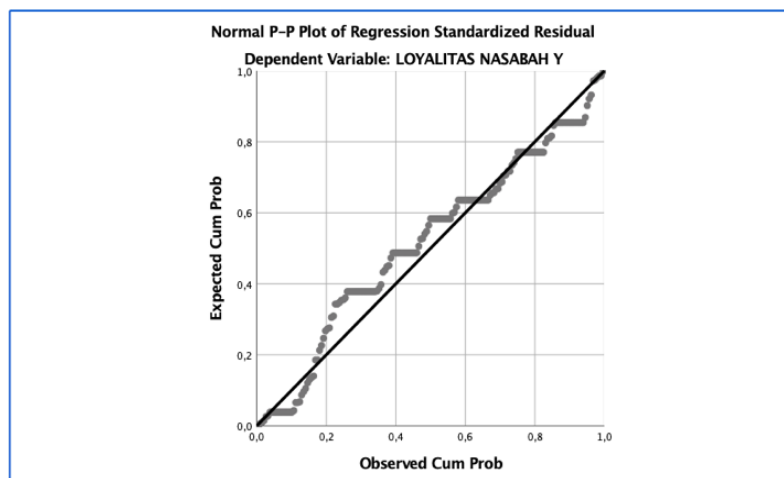| Variables	Cronbach's Alpha	Criteria	Description
Return Rate (X1)	0,573	> 0,444	Reliable
Bank Operations (X2)	0,943	> 0,444	Reliable
Return Expectation (X3)	0,718	> 0,444	Reliable
Customer Loyalty (Y)	0,716	> 0,444	Reliable

4.1.2 Classical Assumption Test

Figure 4 Normality Test

The results of the dot distribution on the Normal P-P Plot of Regression Standardized Residual graph are used to see whether the data is normally distributed or vice versa. Figure 4 shows that the points spread along the diagonal line, so it can be concluded that this data is normally distributed.

4.1.3 Multicollinearity Test

Table 4 Multicollinearity Test

			Coefficients[a]					
Model		Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Tolerance	Statistics VIF
1	(Constant)	4,476	1,235		3,623	,000		
	RETURN RATE X1	,271	,087	,207	3,106	,002	,642	1,557
	BANK OPERATIONS X2	,739	,088	,560	8,391	,000	,641	1,559
	EXPECTED RETURN X3	,090	,130	,051	,697	,487	,537	1,861
a.	Dependent Variable: CUSTOMER LOYALTY Y							

Symptoms of multicollinearity can be seen from the tolerance value which is greater than 0.100 and the VIF value which is smaller than 10.00. From table 4 it can be seen that the tolerance value for variables X1, X2 and X3 is 0.642; 0.641 and 0.537. Where this value is greater than 0.100. From table 4 it can also be seen that the VIF value for each variable is 1.557; 1.559 and 1.861, which is smaller than 10.00. Based on these results, it can be concluded that there are no multicollinearity symptoms in this research model.

4.1.4 Heteroscedasticity Test

The basis for making decisions on the heteroscedasticity test is that there is no clear pattern in the scatterplot image, and the points spread below and above the number 0 on the Y axis, so it can be concluded that there are no symptoms of heteroscedasticity. Based on Figure 5 below, it can be seen that there are no symptoms of heteroscedasticity in this study. This is reflected in the scatterplot image which has no clear pattern and the dots spread below and above the number 0 on the Y axis.
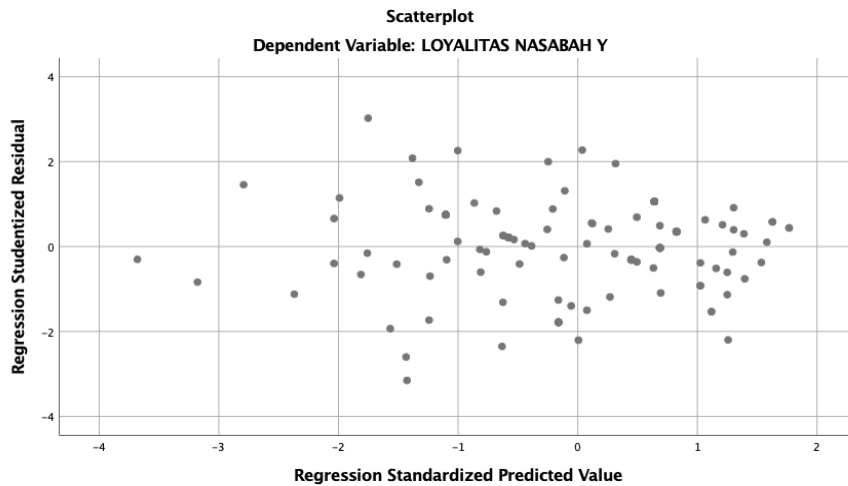
Figure 2 Heteroscedasticity test

4.1.5 Autocorrelation Test

Symptoms of autocorrelation can be seen from the Durbin Watson value. The basis for decision making is if the Durbin Watson value lies between the du value and (4-du) then there are no autocorrelation symptoms. In this research model, it can be seen that the Durbin Watson value is 2.242. This value is at the du value of 1665 and the value (4-du) of 2.335, so it can be concluded that there are no autocorrelation symptoms in this research model.

Table 5 Autocorrelation Test

Model Summary [b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,715[a]	,511	,502	1,923	2,242

4.1.6 Multiple Regression Analysis

The results of data processing in multiple regression analysis produce output as shown in table 4 above. Based on table 4, the model formed from multiple linear regression is Y = 4.476 + 0.271X1 + 0.736X2 + 0.090X3

4.1.7 Hypothesis Test

F-test

The results of the F test in this study can be seen in table 6. Where in table 6 shows the significance value of X1, X2 and X3 is 0.000 which means that the significance value is smaller than 0.05 so that it can be concluded that the variable level of return, bank operations and return expectations simultaneously have a significant effect on customer loyalty.

Table 6 F-test

Model		Sum of Squares	df	Mean Square	F	Sig.
ANOVAᵃ
1	Regression	660,401	3	220,134	59,521	,000ᵇ
	Residuals	532,433	171	3,698		
	Total	1292,834	174			
a.	Dependent Variable: Customer Loyalty Y					
b.	Predictors: (Constant), Return Expectation X3, Return Rate X1 Bank Operations X2					

The t-test

Based on the test in table 4 above, it can be concluded that the significance value of X1 is 0.002, which means that the significance value of X1 is smaller than 0.05, so it means that the return rate variable partially has a significant effect on customer loyalty. The significance value of X2 is 0.000, which means that the significance value of X2 is smaller than 0.05, so it can be concluded that the bank's operational variables partially have a significant effect on customer loyalty. The significance value of X3 is 0.487, which means that the significance value of X3 is greater than 0.05 so it can be concluded that the return expectation variable partially has an insignificant effect on customer loyalty.

Coefficient of Determination

From table 5, the coefficient of determination (R2) is 0.511 or 51.1%. This figure shows that the customer loyalty variable can be explained by the variable rate of return, bank operations and return expectations of 51.1%. While the remaining 48.9% is influenced by other variables not included in this study.

4.2 Discussion

4.2.1 The Effect of Return Rate on Customer Loyalty

Based on the results of data analysis, it can be seen that the level of return has a coefficient value of 0.271. This means that the level of return has a positive and significant influence on the loyalty of Islamic bank customers. This condition can be interpreted that there is a tendency for Islamic bank customers to pay attention to the level of return they will get from Islamic banks. So that if the higher the level of return provided by Islamic banks to their customers, the higher the level of loyalty of Islamic bank customers will be. These results support the results of research conducted by (Greuning & Iqbal, 2008) which states that in the short term the low rate of return has no significant effect on forcing depositors to withdraw their funds. But in the long run it will have a significant effect on depositors withdrawing their funds from Islamic banks.

4.2.2 The Effect of Bank Operations on Customer Loyalty

From the results of the regression equation, it is known that the Islamic bank operational variable has a coefficient of 0.736. This means that the bank operational

variable has a positive and significant influence on customer loyalty. Islamic bank customers are very concerned about the level of service provided by Islamic banks so that if Islamic banks can provide excellent service levels in their operational activities, this can increase the loyalty of Islamic bank customers. This means that the bank must consistently maintain its operational activities by providing better service quality so that it will increase the level of customer loyalty to Islamic banks.

4.2.3   The Effect of Return Expectations on Customer Loyalty

The return expectation variable has a coefficient of 0.090. This means that the yield expectation variable has a positive but insignificant effect on the loyalty of Islamic bank customers. This condition can be explained that Islamic bank customers have their own level of expectation of the returns they will get, so that when these expectations do not match the actual returns obtained by Islamic bank customers, this will reduce customer loyalty to Islamic banks. The results showed that the driving factors for the emergence of Displaced Commercial Risk in Islamic Banks, namely the level of return, bank operations and return expectations simultaneously have a significant influence on the loyalty of Islamic bank customers. This means that to avoid the emergence of Displaced Commercial Risk, Islamic banks must pay attention to these three driving factors.

5.   Conclusions

The conclusion of this study is that the factors driving the emergence of Displaced Commercial Risk, namely the Return Rate, Bank Operations and Return Expectations simultaneously affect the loyalty of Islamic bank customers. Partially, the variable rate of return and bank operational variables have a significant influence on the loyalty of Islamic bank customers. While the return expectation variable has an insignificant effect on the loyalty of Islamic bank customers. This study only discusses three factors driving the emergence of Displaced Commercial Risk in Islamic banks. This means that further research needs to be carried out related to other factors that encourage the emergence of Displaced commercial risk in Islamic banks. Based on the findings of this study, it is expected that the management of Islamic banks needs to pay special attention to the three factors driving the emergence of Displaced Commercial Risk in order to maintain the operational stability of Islamic banks.

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