Customer Engagement and Loyalty Towards Banks: An Evaluation of the Dynamics of Customer Relations in the Banking Industry

Discipline: Commerce

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Received: 04.08.2025 | Revised Submission: 22.08.2025 | Accepted: 12.09.2025 | Available Online: 22.09.2025

Abstract

Customer relation is a crucial facet in the banking industry which requires persistent and effective efforts to ensure long lasting cooperation and enhance satisfaction. Sturdy customer relation policies and programmes from the side of banks would help in improving customer loyalty. Mass banking and reaching of new customers are the core elements for expansion of the volume of business. However, sustainable growth and development occur only when banks pursue efficient customer loyalty programmes for the retention of existing customers. Exemplary customer relationship initiatives would help to establish ample customer base. Customer engagement is a notion of maintaining warm relations with customers beyond the normal banker customer exchanges. Customer loyalty refers to the assessment of the willingness of customers to do repeated dealings with an organization or brand. The study intends to examine the extent of customer engagement and customer loyalty. It attempts to evaluate the interrelationships between these two facets in a banking scenario.

Keywords: Customer Engagement, Customer Loyalty, Customer Satisfaction, Service Quality, Trust

I. Introduction

The arena of banking industry is exposed to rapid changes. Large varieties of products, channels and choices are available in the banking sector. Besides, the products offered by the banking companies are undifferentiated. There is a remarkable decline in the customer loyalty in the banking sector and the banking firms are striving hard to build good corporate image. Customer loyalty is the outcome of good customer satisfaction, experiences and valuable services. Customer loyalty means the desire and willingness of a customer to choose a particular brand and avail a service offered by a firm. It is basically determined by better customer experiences.Customer engagement is a notion of maintaining warm relations with customers beyond the normal banker customer exchanges.Morgan (2012) has defined engagement as "the intensity of an individual's participation and connection with the organization's offerings and activities initiated by either the customer or the firm".Daniel Javor (2012) defines customer loyalty as "a relationship between a business and a customer that comes from trust and respect and the value each receives. If both receive maximum value, the relationship will last long term.

II. Research Objectives

The following are the objectives of the study:

1. To measure the level of customer satisfaction.
2. To assess the level of engagement of bank customers.
3. To measure the level of loyalty of bank customers
4. To examine the association between customer engagement and customer loyalty

III. Research Hypotheses

The following are the hypotheses of the study:

1. There is no association between nature of bank having account and level of satisfaction
2. There is no association between gender and level of satisfaction.
3. There is no association between monthly income and level of satisfaction.
4. There is no significant difference between the mean ranks of the opinion of customers as regards factors influencing the customer engagement and loyalty.
5. There is no association between customer engagement and customer loyalty.

IV. Literature Review

- **Heba Sadek and Heba El Mehelmi(2020)** in the study "Customer brand engagement impact on brand satisfaction, loyalty and trust in the online context of Egyptian Banking Sector" identified that online brand experience is significantly influenced by the customer brand engagement. The standard estimate is 0.970which implies that customers are actively associating with the bank. The study underlines the highest influence of brand experience on brand satisfaction. It indicates that strong brand experience would accelerate satisfaction level of bank customers.
- **Marko Van Deventer and Ephrem Habtemichael Redda(2023)** in the study on "Customer Loyalty and Trust in South African Retail Banking" indicates that

service quality has a role in y predicting Generation Y banking customers' loyalty. However, its influence is not statistically significant.On the contrary, the influence of customer satisfaction on loyalty is prominentin the statistical evaluation. Customer satisfaction and commitment have greater impact on customer trust in the context of retail banking. The study emphasizes the pertinent role of service quality and customer satisfaction in enhancing customer loyalty and trust. Besides, customer satisfaction and commitment have a statistically significant positive influence on customer trust in retail banking. The study resultsindicate that retail banks can enhance customer loyalty and trust by fostering service quality and customer satisfaction and encouraging customer commitment.

- **Vicky Indarto Setyono, Mulyanto Nugroho and Sumiati(2021)** in the study "Customer Engagement, Customer Pride, Customer Value as an Impact through Service Quality" throws light on the necessity of improving customer relationships for fostering customer loyalty. Strengthening customer relationships would help banks to retain existing customers and attract new customers.
- **Defline Putri et al (2024)** in the study "The Relationship of Customer Engagement, Customer Trust, Customer Satisfaction and Customer Loyalty of Mobile Banking Usage in Indonesia" tested the influence of customer engagement, trust, and satisfaction on customer loyalty in mobile banking using structural equation modeling (SEM). The significance of the estimated parameters provides beneficial information about the relationships between latent variables.
- **Supriati Nugroho et al (2024)** in the study "Relationship Between Customer Engagement and Loyalty with Usage of Mobile Banking" examined that the results of testing the customer engagement hypothesis with user mobile banking get a score of ($p = 0.263$) with p values of 0.011 ($p > 0.05$) and t statistics of 2.540 ($p < 1.96$), indicating that there is a significant positive relationship between the customer engagement variable and user mobile banking.
- **Ahmad Saifalddin et al (2018)**in the study "Customer Loyalty: Antecedents, Approaches and Influences of Culture and Religion" found that providers of service shouldshift theirfocusfrom attraction of new customers to retention of existing customers by giving due emphasize to customer loyalty. Scholars usually perceive customer loyalty as attitudinal, behavioral, or composite measurements on the basis of researchstandpoints and goals.
- **Shafali Shukla (2021)** in the study "Analyzing Customer Engagement through E-CRM: The Role of Relationship Marketing in the Era of Digital Banking in Varanasi Banks" indicates that Relationship marketing improves customer

satisfaction, commitment and trust. The interpersonal relationship between the salesperson and the customer can have a substantialinfluence on important relational outcomes for the organizations. CRM was considered as a process or strategy for maintaining cordial relationships with customer in an organization.

V. Research Methodology

The study is conducted among the bank customers in Manjeri Municipality.The population of the study is bank customers in Manjeri Municipality of Malappuram District in Kerala.The sample size of the study is fixed as 100. The study adopted Purposive sampling method for selecting customers.Both primary and secondary data are used for the study. Primary data is collected from the customers in Manjeri Municipality and secondary data is collected from books, journals and internet.Questionnaire method is used for collecting data. The statistical tools such as percentage, ranking, scaling etc. are used for data analysis. Graphs are also used for more clarity. Customer engagement and loyalty are measured by using scaling technique. A five-point scale is used for measurement. Analysis is done with SPSS, version 21. Hypotheses are tested by using Chi-square test and Friedman test.

VI. Data Analysis

Table 1

Level of Satisfaction

Level of Satisfaction	Frequency	Percentage	Cumulative Percent	Mean	SD
Highly Dissatisfied	10	9.1	9.1	**3.92**	**1.335**
Dissatisfied	11	10.0	19.1		
Neutral	9	8.2	27.3		
Satisfied	28	25.5	52.7		
Highly Satisfied	52	47.3	100.0		
Total	**110**	**100.0**	-		

Source: Field Survey

An attempt is made to measure the level of satisfaction of customers. A five-point scale is used for measuring satisfaction. The analysis reveals that 9.1% are highly dissatisfied, 10% are dissatisfied, 8.2% remain neutral, 25.5% are satisfied and 47.3% are highly satisfied. The average value of satisfaction is 3.92 with a standard deviation is 1.335.

Table 2
Analysis of Customer Engagement

Variables	Mean	SD
Feel of Belonging	4.45	0.584
Proud Customer	4.45	0.711
Employees make feel welcome	4.42	0.794
Care about Bank	4.36	0.798
Positive Service Interactions with Bank	4.51	0.701
Feel Happy to Transact	4.56	0.614
Reliable Bank	4.76	0.448
Frequently Banking	4.31	0.821
Average Score	**4.47**	**0.684**

Source: Field Survey

An attempt is made to analyze the customer engagement by using 8 variables. The analysis reveals that the average score of customer engagement is 4.47 on a five-point scale and average score of standard deviation is 0.684. Reliable bank is the variable with highest mean score (4.76) and frequently banking with lowest mean score (4.31).

Table 3
Analysis of Customer Loyalty

Variables	Mean	SD
Use more service in future	4.44	0.819
Definitely recommend bank	4.29	0.881
Say positive about bank	4.30	0.873
Encourage relatives and friends to bank	4.25	0.913
Continue using Banking Services	3.37	1.248
Feel of a loyal customer	4.34	0.745
Average Score	**4.17**	**0.913**

Source: Field Survey

An attempt is made to analyze the customer loyalty by using 6 variables. The analysis reveals that the average score of customer engagement is 4.17 on a five-point scale and average score of standard deviation is 0.913. Using more services in future is the variable with highest mean score (4.44) and continue using banking services with lowest mean score (3.37).

Table 4
Results of Hypotheses Testing

Research Hypothesis	P Value	Result
There is no association between nature of bank having account and level of satisfaction	0.016	Ho rejected at 5%
There is no association between gender and level of satisfaction.	0.914	Ho accepted at 5%
There is no association between monthly income and level of satisfaction.	0.067	Ho accepted at 5%
There is no significant difference between the mean ranks of the opinion of customers as regards factors influencing the customer engagement and loyalty.	0.000	Ho rejected at 5%
There is no association between customer engagement and customer loyalty.	0.000	Ho rejected at 5%

Source: Compiled from SPSS

I. Results and Discussion

The study revealed that most of the customers are satisfied. About 25.5% are satisfied and 47.3% are highly satisfied. The average score 4.47 indicates that the level of engagement of bank customers in Manjeri Municipality is high. The average score 4.17 indicates that the level of loyalty of bank customers in Manjeri Municipality is high. The chi-square analysis revealed that there is association between customer engagement and customer loyalty. It is found that the most dominant factor which influences customer engagement and loyalty is Satisfaction, with a mean of 2.26.The other factors which influence customer engagement and loyalty are Service Quality (2.33), Trust (2.60) and Commitment (3.46). The least dominant factor is Bank Reputation and Image (4.35).

II. Suggestion

1. The variable, which gets lowest score with respect to measurement of customer's engagement, is frequently banking. Even though the score is 4.31, it is the lowest among the eight variables. The bank authorities may try to find the reason for getting low score and should check whether the customers are frequently using the banking products and services.

2. The only variable, which gets score below 4 on five-point scale with respect to measurement of customer's loyalty, is continuing bank services. The mean score is only 3.37. About 32% customers opine undecided, 13% disagree and 9% strongly disagree. The bank authorities should check the reason for the disagreement with respect to the variable.

III. Conclusion

The study empirically reveals that customer engagement and customer loyalty towards banks in Manjeri Municipality is high. The majority of the customers in Manjeri Municipality are satisfied with the bank. An attempt is also made to check the association between customer engagement and customer loyalty and the analysis reveal that customer engagement and customer loyalty are associated. The chi-square analysis reveals that nature of bank having account and level of satisfaction are associated. However, the gender and level of satisfaction and monthly income and level of satisfaction are not associated. The most dominant factor that affects customer engagement and customer loyalty is found to be satisfaction and the least influencing factor is bank reputation and image. The banks need to satisfy the customers and improve their reputation and image so as to make their customers more engaged and loyal.

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