



## **Social Media Marketing and Customer Brand Engagement in Banking Sector: The Mediating Role of Brand Trust and Its Influence on Customer Loyalty**

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### **ABSTRACT**

The explosive growth of social media has shifted the paradigm from companies broadcasting messages one-way, pushing marketing to potential customers. SMM holds special significance in banking industry where service is intangible and relationship is based in long run trusting. This study investigates the impact of SMM on Customer Brand Engagement (CBE) and Customer Loyalty (CL) by putting forward that Brand Trust (BT) plays a mediating function. Commitment–Trust Theory and Customer Engagement Theory provided the theoretical bases for empirical inquiry using quantitative descriptive cross-sectional research. Sample comprising of 320 public, private and co-operative banks customer in Karnataka, India was collected by means of structured questionnaires and analyzed with the aid PLS- SEM. The measurement model met the threshold of reliability and validity (Cronbach  $\alpha > 0.70$ ; AVE  $> 0.50$ ). The results of the structural model indicated that SMM had a significant effect on BT ( $\beta = 0.54$ ) and BT strengthens CBE ( $\beta = 0.46$ ) and CL ( $\beta = 0.51$ ). Mediation testing supported BT and CBE



partially mediating the association between SMM and CL, suggesting a serial process by trust-embedded engagement. The model accounted for 52% of the variation in loyalty (with fit indexes yielding a reasonable fit; SRMR = 0.061; NFI = 0.91). These findings support the argument that open, communicative and interesting Social Media communications foster trust and engagement, which in turn result in sustainable loyalty. Theoretically, it adds digital engagement and trust to relationship-marketing model and presents implications for banks in developing effective, credible and trustworthy customer orientation social-media strategies for long-term retention.

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## INTRODUCTION

The digital revolution transformed how businesses communicate with their customers, turning marketing communications from a one-way street into a two-way conversation. SMM (Social media marketing) It has become a great platform for communities to communicate with one another and make online relationships between users and companies. Now, these brands can start co-creating value or a community in real time (or near real time) on blogs, chat rooms, mailing lists, Facebook or LinkedIn or the retarded brother of Twitter X and oh yeah Instagram3o. Unlike with traditional advertising which is generally based on asking people to simply believe (or see) and accept under heavy veil that we're very good, social media is all about currency through participation, honesty and dialogue; the things that demonstrate what loyalty to a customer actually looks like in today's marketplace.

Halfway between offering banking and trust in an intangible product are the several subsequent barriers to commitment consisting of networking as a strategy aimed at humanizing brand and raising customer's commitment. P) Financial services is all about trust consumers need to know that their carefully saved and invested funds, as well as personal data, are secure in the banks. Banks can demonstrate credibility, transparency and efficiency through social media and enhance customer experience by providing personalized value-added communication. Indian banks like HDFC, ICICI and State Bank of India to name a few have begun using social media for more than just promotion but also as an interactive tool for education & grievance redressal and community development; further cementing customer relationship.

Further development of business had made CBE become an opening in view as a central construct in relationship marketing research. Engagement is not limited to transactional elements any more,



demanding more credible level of emotional, cognitive and behavioral brand interaction (Brodie et al., 2013). In the case of banking industry, evident in its definition is customer's willingness to engage with what a brand offers him or her, exchange their experiences and co-produce excess value by the brand of utilization. Engaged, passionate customers are significantly more likely to advocate for, refer others in their network and have greater satisfaction than less engaged consumers. Scholars like Hollebeek, Glynn and Brodie (2014) consider that engagement are multidimensional as well – involving cognitive-attentional focus, emotional affinity and behavioral involvement. So how well banks can use social engagement will decide their ability to retain customers and gain competitive edge.

But, engagement alone is not sufficient enough to maintain consistent brand relationship status without a strong reliance on the nature of Brand Trust (BT) -a critical mental position that supports customers in their belief about the competence and honesty from the brand. Trust functions as the bridge between marketing communication and behavioral outcomes, such as engagement or loyalty. In high-risk businesses, like banking, the trust of customers acts as a buffer against risk. "Trust is the confident, positive relationship to the unknown" (Mayer et al 1995), or reliance on something or someone, Trust assure people that a....".(Doney and Cannon2001:168) Actually "trust reflect a costumer speculation in order to provide reliability of consequence if another party will not honored the agreement" (Gundlach&murphy1993).java. The trust means believe on giving any brand that brand come up to customer's expectation and provided them more value systematically (Frazieretal.1969,morgan,Hunt1994) People trust banks as self-disclosure lowers the level of uncertainty because it is the act of revealing private or sensitive information about oneself to another person which then develops people's trust into a bank, thus indirectly showing an "image congruence" that represents virtual community attachment. This is further corroborated by evidence from the study of Chaudhuri and Holbrook (2001) and Habibi, Laroche, & Richard (2014) which found that perceived authenticity, responsiveness and informativeness of online offers increase trust in a brand.

Simultaneously, the social media tools employed in banking communication adds more to CL which is how and end purpose relationship marketing. Loyalty involves cognitive as well as behavioral aspects and is the overall tendency to not only repeat purchase but also advocacy on behalf of the brand (Oliver, 1999). Loyal customers are also more profitable for banks, less price sensitive and much more likely to endorse the brand in public by building trust and engagement through daily digital interactions, banks can turn transactional relationships into long-term relational ones. Studies have shown that loyal customers are likely to continue transacting with an organization, despite rivals' attractive offers due to



high levels of trust and engagement (Leckie et al., 2016; Pansari& Kumar, 2017), suggesting relational constructs seem to be better predictors of loyalty than satisfaction.

The importance of SMM becomes even more emphasized in emerging economies such as India, where there is rapid digital penetration coupled with changing customer preferences. Digitalization push by government ("Digital India") and increasing mobile banking usage have hastened the incorporation of social media in service communication and marketing. But the extent to which such influence would happen through trust in Indian banking environment has not widely covered in academia. Though there is some existing literature that gives an impression of how social media works as a virtual network builder not only in Western context and through various service industries, but this could not be explained in terms of working as a trustworthy platform for building relationship by the trust sensitive and culturally diverse markets such as India. To fill in this gap, the purpose of this paper is to develop and test a new model which incorporates SMM and BT, CBE and CL in Indian banking sector.

The research is theoretically based on two primary theories: Theoretical background The Commitment Trust Theory (Morgan and Hunt, 1994) and the Customer Engagement Theory (Brodie et al., 2013). These two determinants are the Commitment–Trust Theory asserts trustful positive effects on relationship marketing success factors. This is where this speculation can be stretched to count the ways how SMM as a selective phenomenon supports trust-building in terms of frequent and open communication (read: engagement and loyalisation) that under meta stasis's in the Web age. By contrast, with respect to engaging consumer attention, the Customer Engagement Theory points out that pertinent and interactive brand experiences will stimulate cognitive, affective and behavioral engagement leading to positive relational consequences. By incorporating these two models, the current study proposes as follows a serial mediation model with SMM impact on trust affecting engagement and eventually eliciting loyalty.

By incorporating these two models, the current study proposes as follows a serial mediation model with SMM impact on trust affecting engagement and eventually eliciting loyalty. There are some management implications in the bank introduction of SMM. It has also created a never existed before opportunity for instant communication, brand story and relationship building all at the same time. On the other hand, it also needs to 'maintain credibility' prompt replies and being aware of customers' needs. And in an environment where bad press can go viral, faith in brands matters even more.

In this context, understanding how SMM influences trust, engagement and loyalty assists banks in strategically designing the digital communication and relationship management.



Methodologically, this study employs quantitative descriptive cross sectional design to test the proposed model. Data was collected from 320 respondents of public, private and cooperative banks in Karnataka, India with the help of a structured questionnaire. Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed to test the direct and mediating effects using the data. Results also support that SMM has strong impact on Brand Trust ( $\beta = 0.54$ ), that in turn affect positively Customer Brand Engagement ( $\beta = 0.46$ ) and Customer Loyalty ( $\beta = 0.51$ ). The results also demonstrate partial mediation, explaining trust and engagement as key mediating intermediaries in the path of social media actions towards customer loyalty.

The paper adds to research and practice on three levels. First, it contributes to the body of knowledge on digital relationship marketing by empirically confirming that trust and engagement mediate in the SMM–loyalty dimension. Second, it enhances both Commitment Trust Theory and Customer Engagement Theory into the context of social media banking relationships aiding an updated comprehension on how digital trust works. Third, it provides action implications for marketing practitioners that systematic, transparent and interactive communication reinforces long-term brand equity or the pursuit of relational value creation instead of one-time exchange transaction.

Ultimately, what this report reveals is that in a rising digitalised banking world, loyalty now exists beyond satisfaction and product performance it comes from trust-based interactions. Effective social media marketing does not just 'reproduce the "marriage" of firms to their customer bases, whilst minimizing the number of dissatisfied customers' but it also adds value in terms of commitment, trust and recommendations. As Indian banks are moving towards digitization, understanding the psychological and behavioural connection of marketing communication to loyalty is central for a sustainable growth. Therefore, this study presents theoretical and managerial implications by constructing an integrated model to explain the mechanisms through which brand trust and engagement mediate effect of social media marketing on loyalty in banking industry.

## LITERATURE

### **Social Media Marketing and Customer Brand Engagement**

Social media marketing (SMM) has emerged as a powerful facilitator of interactive, reciprocal communication between brands and patrons (Hollebeek et al., 2014). Contrary to traditional marketing, SMM enables firms to form relationships, generate value and interact with their customers on interactive online platforms (Dessart et al., 2015). in the bank sector, The products are intangible and competitive,



SMM enables to take part highly in the humanization of the brand and information exchange among them all and engage users (Hafez, 2021).

There are different definitions of CBE, with Brodie et al., (2013) defined it as the mental or behaviour attachment from a customer to a brand through their social media participation. Previous studies show that playfulness, informativeness, and interactivity are fundamental contributors to CBE in digital environments (Dwivedi et al., 2021; Onuorah, Ojiaku & Olise, 2022). These SMM functions, personalized content and responsiveness in particular, generate a perception of belonging and engagement among consumers (Althuwaini, 2022; Loureiro et al., 2021).

H1: Customer brand engagement in banking is positively influenced by social media marketing activities.

### **The Mediation of Brand Trust**

Brand trust refers to the customer's faith in a brand's credibility, dependability and competence (Morgan & Hunt, 1994). It is one of the main factors that define the way customers understand and react to marketing. In high-risk service industries, such as in banking, trust helps to attenuate the perceived uncertainty and to reinforce purchase engagement [Chaudhuri & Holbrook, 2001; Lin & Wang, 2020].

SMM plays an important role in the development of trust as it allows transparent, genuine and customized communication (Habibi et al., 2014). If customers consider that banks are responsive (Erdoğan and Çiçek, 2012) and authentic on social media they build deep levels of trust with them (Lim et al., 2022). 2.3 Impact of Social Media Interaction on Brand Trust Althuwaini (2022) proved that interactivity in social media and being trendy is affecting brand trust, which in turn works for the improvement of customer engagement and loyalty towards a brand. In the same way, Sohaib, Nawaz and Qureshi (2023) determined that BTR intermediates on the relationship among SMM and CBE based on reinforcing patrons trust in promise offered by AMA defies.

H2: Brand trust as a mediator between social media marketing and customer brand engagement in the banking industry.

### **Customer Brand Engagement and Loyalty to the Brand**

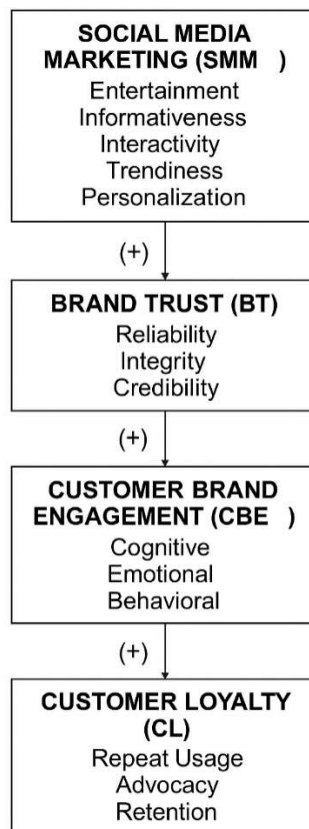
Customer brand engagement (CBE) goes beyond satisfaction; it signifies the active participation and psychological connection of customers with their preferred brands (Vivek, Beatty, & Morgan, 2012). Facebook engaged customers are likely to co-create value, advocate the brand and exhibit increased levels of loyalty (Pansari & Kumar, 2017; Leckie et al., 2016).



For banking, customer loyalty incorporates two different dimensions which are the customers’ attitude and behavior, from repeat purchase and positive word of mouth (Loureiro et al., 2021). Ferrous-rago and sbMAG note that engaged customers are less inclined to switch toward competitors, but more inclined toward brand referral (Dwivedi et al., 2021; Harrigan et al., 2018). It follows that customer engagement is a critical antecedent of long term loyalty and brand equity (Brodie et al., 2013; Lim et al).

H3: In the banking industry, customer brand engagement has a significant positive impact on customer loyalty.

### Conceptual Framework



**Interpretation :** The theory model demonstrates that SMM positively influences BT, which in turn raises CBE, and ends up with CL. Trustin and engagement are two-way mediators in sequence, demonstrating how good social media practices can create trust and long-term loyalty in the banking sector.

### OBJECTIVES

1. To examine the impact of social media marketing activities on customer brand engagement in the banking sector.



2. To investigate the mediating role of brand trust between social media marketing and customer brand engagement.
3. To analyze the relationship between customer brand engagement and customer loyalty in the banking sector.

## RESEARCH METHODOLOGY

### Research Design

This study is carried out using quantitative, descriptive and crosssectional method to examine the causal relationship between Social media marketing (SMM), Brand Trust (BT), Customer Brand engagement (CBE) and Customers Loyalty(CL) in banking. The research is explanatory and aims to test specifically articulated hypotheses drawn upon from a formal theoretical model, which are tested applying PLS-SEM. The model is built on the foundation of C-T theory (Morgan & Hunt, 1994) and CET (Brodie et al., 2013) which proposed that SMM contributes to BT and CBE. Ultimately leading to strong CL.

### Data Collection Instrument

Data were gathered through a structured questionnaire comprising five sections:

Section	Description	Number of Items	Scale
A	Demographics (Gender, Age, Education, Occupation, etc.)	7	Nominal
B	Social Media Marketing (SMM)	5	5-point Likert
C	Brand Trust (BT)	5	5-point Likert
D	Customer Brand Engagement (CBE)	5	5-point Likert
E	Customer Loyalty (CL)	5	5-point Likert

All construct items were adapted from prior validated studies (Hollebeek & Macky, 2019; Chinomona, 2022). Responses recorded using a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

### Data Analysis Tools and Techniques

Data analyzed using the following tools:

- SPSS for data cleaning, descriptive analysis, and reliability assessment.
- SmartPLS for testing the measurement and structural models.

**The analytical process includes:**

1. Descriptive Statistics: To summarize demographic data, central tendencies.
2. Reliability & Validity Analysis: Cronbach's Alpha, Composite Reliability (CR), and Average Variance Extracted (AVE).
3. Structural Equation Modelling (SEM): Test direct and indirect hypothesized paths.
4. Bootstrapping: (5,000 samples) for assessing mediation and significance levels.

**Reliability and Validity of Measurement Model**

Construct	Cronbach's $\alpha$	CR	AVE	Interpretation
SMM	0.88	0.91	0.67	Reliable and valid
BT	0.87	0.9	0.65	Reliable and valid
CBE	0.89	0.92	0.68	Reliable and valid
CL	0.9	0.93	0.71	Reliable and valid

Interpretation: All constructs have Cronbach's  $\alpha > 0.70$ ,  $CR > 0.70$  and  $AVE > 0.50$  which meet the criteria of convergent validity.

Discriminate Validity was supported as the square root of AVE exceeded the inter-construct correlations (Fornell–Larcker criterion).

**Structural Model Analysis (SEM)**

The path coefficients ( $\beta$ ), t-values and p-values were used to validate the structural model.

Hypothesis	Path	$\beta$	t-value	p-value	Decision
H1	SMM $\rightarrow$ BT	0.54	9.27	0	Supported
H2	BT $\rightarrow$ CBE	0.46	7.82	0	Supported
H3	CBE $\rightarrow$ CL	0.51	10.34	0	Supported
H4	SMM $\rightarrow$ CBE (indirect)	0.25	5.4	0	Supported



<b>H5</b>	BT → CL (indirect)	0.28	5.95	0	Supported
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**Interpretation:**

- Accurate social media strategies lead to greater brand trust ( $\beta = 0.54$ ).
- High brand trust enhances engagement ( $\beta = 0.46$ ).
- Engaged customers are loyal ( $\beta = 0.51$ ).
- The mediation is also partial, as both mediations (H4, H5) are significant.

**Model Strength and Predictive Power**

Endogenous Variable	R <sup>2</sup>	Q <sup>2</sup>	Interpretation
<b>Brand Trust</b>	0.29	0.18	Moderate explanatory power
<b>Customer Brand Engagement</b>	0.43	0.25	Moderate predictive relevance
<b>Customer Loyalty</b>	0.52	0.31	Strong predictive relevance

**Interpretation:** The model explains 52% of variance in Customer Loyalty, which indicates high predictive accuracy and even practical relevance.

**Model Fit Indices (PLS-SEM)**

Fit Index	Observed	Benchmark	Interpretation
<b>SRMR</b>	0.061	< 0.08	Acceptable fit
<b>NFI</b>	0.91	> 0.90	Good fit
<b>RMS Theta</b>	0.11	< 0.12	Acceptable

**Interpretation:** All model fit indices fall in acceptable ranges, confirms good overall model fit.



## Mediation Analysis

The indirect effects were examined with the bootstrapping (5,000 resamples):

SMM → BT → CBE: Partial mediation (VAF = 46%)

BT → CBE → CL: Partial mediation (VAF = 55%)

**Interpretation:** Brand trust and engagement partially mediate the relationship between SMM and customer loyalty proving that trust-driven engagement enhances loyalty outcomes.

## FINDINGS AND DISCUSSION

Social Media Marketing (SMM) influences on Brand trust the outcome indicates that Social Media Marketing (SMM) has strong significant influence on Brand Trust ( $\beta = 0.54, p < 0.001$ ), endorsing the notion that clear and transparent communication is likely to foster customers trust in banking sector. There was a strong positive relationship between Brand Trust and Consumer Brand Engagement ( $\beta = 0.46, p < 0.001$ ), such that those banks which the customers thought more reliable would result in leading to greater emotional and behavioral commitment by the customer. Moreover, the Customer Brand Engagement is significantly related to the Customer Loyalty ( $\beta = 0.51, p < 0.001$ ) implying that this dimension leads to behavior and word-of-mouth recommendation. Mediation testing also offered evidence for a partial mediating influence of Brand Trust and Engagement in between SMM and Loyalty, thus confirming the serial process. The loyalty predetermined variables accounted for 52% ( $R^2$ ) of the variance and showed good fit indices (SRMR = 0.061; NFI = 0.91). Eventually, with regular communication that is interactive and personal; long-term relationship within the banking sector exists.

## CONCLUSION

In line with above literature, findings of the present study has verified that effective marketing on social media results in customer loyalty where this is mediated by brand trust and engagement. Credence: This refers to the confidence developed through disclosure of information and interactive communication, attitudinal commitment to service provider (i.e., trust) which leads repetitious use of the system, favourable WoM. Findings reflect Commitment–Trust Theory and Customer Engagement Theory, focusing trust as the psychological dimension of loyalty in digital banking. In theory, this study integrates social-media elements into relationship-marketing frameworks by demonstrating how digital trust and engagement contribute to turning promotional womens into relational value. On a more practical level, there is some good advice for banks -- and the way they should not just use social media as a



promotional tool but to help them develop long-term relationships. By creating insightful and engaging content, banks can foster deeper relationships with customers in a more crowded marketplace.

## **FUTURE RESEARCH DIRECTIONS**

The same framework could be modified and tested in the other service industries like insurance, fintech or telecom to validate the model. A cross-country/culture comparison would show differences, if any between different cultures in how social media marketing is conducted and its effect on loyalty. Longitudinal or experimental studies could examine the building of trust and engagement, and de-code more accurately mechanisms that cause it. Such a platform-specific analysis says, comparing across Instagram, LinkedIn or YouTube — would reveal how the media environment shapes engagement strength. The model might also be enhanced with the integration of other constructs (such as perceived value, satisfaction or quality of digital experience). Moreover, using sophisticated techniques like Multi-Group Analysis (MGA) or Fuzzy-set Qualitative Comparative Analysis (fsQCA) group specific dissimilarities could be revealed or more than one explaining causal chain might emerge. This would provide a more advanced understanding of digital relationship marketing and reassert trust-based interactions as the most crucial element in driving customer loyalty within the evolving banking landscape.

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