
RELATIONSHIP BETWEEN CUSTOMER ENGAGEMENT AND LOYALTY WITH USAGE OF MOBILE BANKING

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Abstract

This research aims to understand the relationship between customer engagement, loyalty, and mobile banking usage can provide valuable insights for banks in improving customer relationships, increasing customer satisfaction, and driving business growth. This research is included in descriptive quantitative research. The data analysis technique used in this study was Partial Least Square (PLS). This research was conducted at Bank Muamalat Indonesia, Region Surabaya. The sampling technique in this study was purposive sampling, so in this study, the research sample was 100 customers of Bank Muamalat Indonesia, Region Surabaya. The results showed that the usage of mobile banking was influenced by customer engagement and loyalty by 62.6%, and the rest was influenced by variables that have not been explained in this study. It can be concluded that mobile banking users show engagement from employees who are interested in the bank and loyalty from customers.

Keywords: Customer Engagement, Loyalty, Usage of Mobile Banking

INTRODUCTION

In recent years, the banking industry has experienced a significant shift towards digitalization, with mobile banking becoming a popular channel for customers to access banking services. Mobile banking refers to the usage of mobile devices, such as smartphones and tablets, to perform various banking activities, including checking account balances, transferring funds, making payments, and more (Wazid, Zeadally, & Das, 2019).

The use of mobile banking has become a significant trend in the banking industry. Mobile banking allows customers to access banking services through their mobile devices, such as smartphones or tablets (Haralayya, 2021). Features such as balance inquiry, fund transfer, bill payment, and other account management can be done easily and quickly through mobile banking apps (Ghelani, Hua, & Koduru, 2022).

The use of mobile banking has changed the way customers interact with their banks. No longer limited to a specific time and place, customers can conduct financial transactions with greater flexibility and maximum convenience. This provides an opportunity for banks to build closer relationships with their customers and increase customer loyalty (Mulia, Usman, & Parwanto, 2021).

Customer engagement is an important factor in strengthening the relationship between customers and banks. Customer engagement includes the customer's level of participation, emotional attachment, and active interaction with the bank (Hendriyani & Raharja, 2018; Moliner-Tena, Monferrer-Tirado, & Estrada-Guillén, 2019). When customers are actively engaged with the use of mobile banking, they have a greater chance of understanding the services provided by the bank, having a positive experience, and developing loyalty towards the bank.

Customer loyalty refers to the level of customer loyalty and commitment to the bank (Tabrani, Amin, & Nizam, 2018). Loyal customers tend to use banking services from the same bank on an ongoing basis, prolong their relationship with the bank, and recommend the bank to others (Pelealu, 202). High customer loyalty is valuable to banks, as loyal customers tend to contribute significantly to revenue and long-term growth (Ahmad et al., 2021).

Identifying the relationship between customer engagement and loyalty with mobile banking usage is important for banks to develop effective marketing and customer relationship management strategies (Al-Dmour, Ali, & Al-Dmour, 2019). By understanding

the factors that influence customer engagement and loyalty in the context of mobile banking usage, banks can take appropriate measures to improve customer experience, strengthen customer bonds, and achieve competitive advantage in an increasingly digitized banking market (Toha & Supriyanto, 2023).

Customer engagement and loyalty are critical factors for the success of any business, including the banking sector. Customer engagement refers to the emotional connection and active involvement of customers with a brand or organization (Vohra & Bhardwaj, 2019). It includes customer interactions, experiences, and perceptions of the brand. On the other hand, customer loyalty refers to the tendency of a customer to continue using the services of a particular brand or organization over time and recommend them to others.

The purpose of this study is to understand the relationship between customer engagement, loyalty, and the use of mobile banking which can provide valuable insights for banks in improving customer relationships, increasing customer satisfaction, and driving business growth. So this research is entitled “Relationship Between Customer Engagement and Loyalty with Usage of Mobile Banking”.

REVIEW OF LITERATURE

Customer Engagement

Customer engagement is a concept that refers to the level of participation, emotional attachment, and active interaction of customers with a company or brand (Nadeem, Tan, Tajvidi, & Hajli, 2021). In the context of banking, customer engagement reflects the extent to which customers are involved in banking services, including the use of mobile banking (Jamshidi, Keshavarz, Kazemi, & Mohammadian, 2018). Customer engagement can be influenced by factors such as customer satisfaction, perceived service quality, trust, interaction with the bank, and the value provided by the bank to the customer (Abror et al., 2020).

Dimensions	Indicators
Active Participation	Frequency of use of banking services, number of transactions per month, use of special features
Perceived Service Quality	service reliability (e.g., response time, transaction accuracy),

	responsiveness of customer service, staff competence and expertise, ease of use of the service, quality of user interface
Customer Experience	Ease of use of the banking system, intuitive user interface design, speed and performance of the mobile banking app, consistency of experience between service channels

Loyalty

Customer loyalty refers to the level of customer loyalty and commitment to a company or brand (Cheng, Wu, & Chen, 2020). In the context of banking, customer loyalty reflects the level of customer willingness to continue using banking services from the same bank, extend their relationship with the bank, and recommend the bank to others (Haron, Abdul Subar, & Ibrahim, 2020). Factors such as customer satisfaction, service quality, trust, bank reputation, and benefits received by customers can influence customer loyalty (Lie, Sudirman, Efendi, & Butarbutar, 2019; Nguyen, Pham, Tran, & Pham, 2020).

Dimensions	Indicators
Customer Retention	The level of continued use of banking services, the rate of termination of the relationship with the bank, the level of propensity to extend the relationship with the bank, customer churn rate
Recommendation	Intention to recommend the bank to others (e.g., family, friends, colleagues), the number of referrals the customer makes, level of trust toward recommending the bank
Trust and Satisfaction	Customer satisfaction level, level of trust in the bank, satisfaction with service quality, level of satisfaction with the overall customer experience

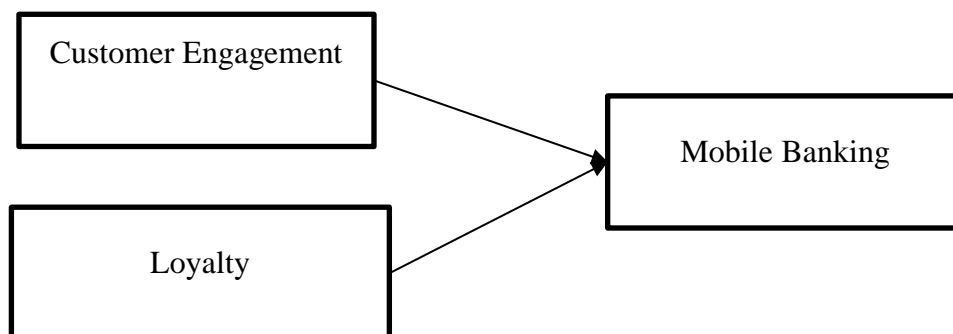
Usage of Mobile Banking

Mobile banking usage refers to the level of adoption and use of banking services through mobile devices, such as smartphones or tablets (Zhang, Lu, & Kizildag, 2018). Mobile banking usage allows customers to perform various financial transactions, such as balance inquiries, fund transfers, bill payments, and other, using mobile banking applications.

Mobile banking usage can be influenced by factors such as ease of use, application quality, service reliability, transaction speed, and data security (Le, Ngo, Trinh, & Nguyen, 2020; Navavongsathian, Vongchavalitkul, & Limsarun, 2020).

Indicators
Usage and Adoption
User Satisfaction
Security and Privacy
Ease of Use
Functionality
Personalization
Customer Support
Reliability and Performance

Hypotheses



H1: there is an influence between customer engagement and user mobile banking

H2: there is an influence between loyalty to mobile banking users

RESEARCH METHOD

This research is descriptive quantitative research. Sugiyono, (2017) says that research methods are scientific characteristics to get data with specific purposes and uses. The method used in the quantitative approach. According to Sarstedt et al., (2020) says that descriptive research is research that uses observations, interviews, or questionnaires about the current situation of the subject we are researching. Through questionnaires and so on, we collect data to test hypotheses or answer a question. Through this descriptive research, the researcher will describe what happened in the current situation under study.

This research was conducted at Bank Muamalat Surabaya. The sampling technique in this study was purposive sampling, so in this study, the research sample was 100 Muamalat Bank Customers. The data analysis technique used in this study was Partial Least Square (PLS). PLS is a Structural Equation Modeling (SEM) equation model with a variance-based or component-based structural equation modeling approach. According to Sarstedt et al., (2020), The purpose of PLS-SEM is to develop a theory or build a theory (prediction orientation). PLS is used to explain whether there is a relationship between latent variables (prediction). PLS is a powerful analytical method because it does not assume current data with a certain scale measurement, a small sample size, and a high degree of accuracy (Hair, Risher, Sarstedt, & Ringle, 2019).

Validity and Reliability Test

Validity and reliability tests are carried out to ensure that the measurements used are accurate and reliable. Validity and reliability testing can be seen in:

First, convergence Validity is a metric that is assessed with the correlation between item or component scores and construct scores, as seen in the standard loading factor, which describes the magnitude of the correlation between each item measured and its construct. If correlated, Individual reflex measurements are said to be high if > 0.7 .

Second, discriminant validity is a measurement model with a reflection index that is assessed based on size and construct cross-loading. Discriminant validity, namely comparing the root mean square of variance (AVE) extracted, declares a tool valid if its AVE value is > 0.5 .

Third, Composite reliability is a measure of a structure that can be seen in terms of latent variable coefficients. In this measurement, if a value > 0.70 is reached, the construction can be said to have high reliability.

Fourth, Cronbach's Alpha is a reliability test designed to strengthen composite reliability results. A variable can be declared reliable if the Cronbach's alpha value is > 0.7 .

Instrument Test

Uji Instrumen	Uji yang digunakan
Uji Validitas	Convergent Validity AVE
Uji Reliabilitas	Cronbach Alpha Composite Reliability

R-Square Test

The R-square of the dependent construct is used to analyze the effect of specific independent variables on the dependent latent variable, which displays the magnitude of the effect.

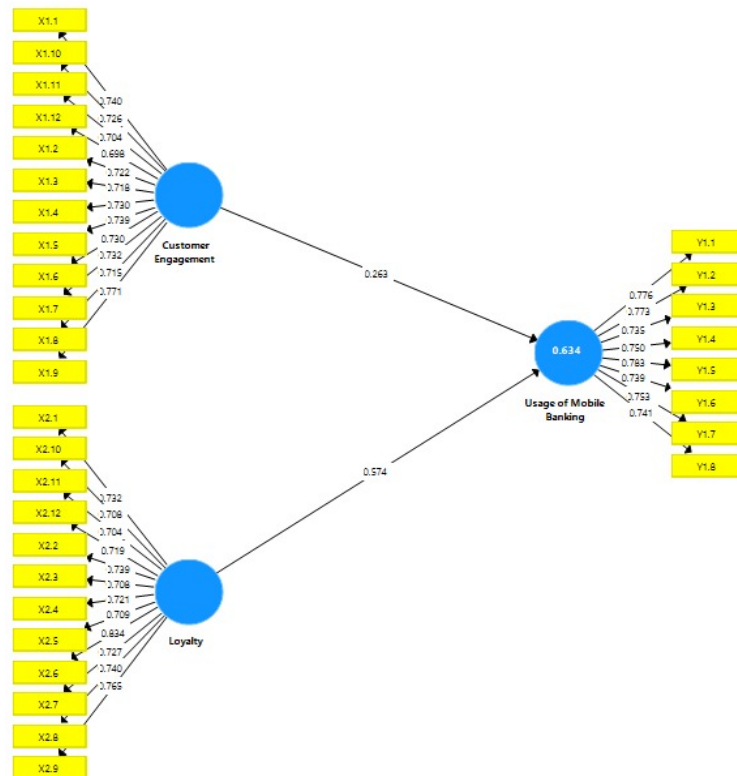
Inner Model Analysis

Deep Model Analysis, also known as Structural Modeling, is a technique for predicting causal relationships between model variables. Hypotheses are tested during deep model analysis in Smart PLS testing. The t-statistic value and probability value can be shown when evaluating the hypotheses. The t-statistic used to test the hypothesis using the statistical value is 1.96 for a 5 percent alpha, while the beta score is used to determine the direction of influence of the relationship between variables. The criteria for acceptance or rejection of the hypothesis are

$H_a = t\text{-statistic} > 1.96$ with $p\text{-values} < 0.05$.

$H_0 = t\text{-statistic} < 1.96$ with $p\text{-values} > 0.05$.

RESULTS AND DISCUSSION



Validity Test

A validity test is used to measure whether a questionnaire is valid or not. In this study, validity testing was carried out using convergent validity and AVE. The instrument is declared valid if the AVE value is > 0.05 and the outer loading value is (> 0.6).

Table 1
Instrument validity test results

Variables	Indicators	AVE	Outer Loading	Valid
Customer Engagement_X1	X1.1	0.529	0.740	Valid
	X1.10		0.726	Valid
	X1.11		0.704	Valid
	X1.12		0.698	Valid
	X1.2		0.722	Valid
	X1.3		0.718	Valid
	X1.4		0.730	Valid
	X1.5		0.739	Valid
	X1.6		0.730	Valid
	X1.7		0.732	Valid
	X1.8		0.715	Valid
Loyalty_X2	X2.1	0.539	0.732	Valid
	X2.10		0.708	Valid
	X2.11		0.704	Valid
	X2.12		0.719	Valid
	X2.2		0.739	Valid
	X2.3		0.708	Valid
	X2.4		0.721	Valid
	X2.5		0.709	Valid
	X2.6		0.834	Valid
	X2.7		0.727	Valid
	X2.8		0.740	Valid
X2.9	0.765	Valid		
Usage of Mobile Banking_X3	Y1.1	0.572	0.776	Valid
	Y1.2		0.773	Valid
	Y1.3		0.735	Valid
	Y1.4		0.750	Valid
	Y1.5		0.783	Valid
	Y1.6		0.739	Valid
	Y1.7		0.753	Valid
	Y1.8		0.741	Valid

Reliability Test

Researchers used two types of reliability tests, namely the Cronbach Alpha test and the Composite Reliability test. Cronbach Alpha measures the lowest value (lower bound) of reliability. The data is declared good if the data has a Cronbach alpha value greater > 0.7 . Meanwhile, composite reliability measures the true reliability value of a variable. Data is declared to have high reliability if it has a composite reliability score > 0.7 .

	Cronbach's Alpha	Composite Reliability
Customer Engagement	0.919	0.931
Loyalty	0.922	0.933
Usage of Mobile Banking	0.894	0.914

R-Square Test

R-Square Coefficient determination (R-Square) test is used in measurements to measure how much endogenous variables are influenced by other variables. Based on data analysis conducted through the use of the smartPLS program, the R-Square value is obtained as shown in the table below:

	R Square	R Square Adjusted
Usage of Mobile Banking	0.634	0.626

Based on the test results, an r-square score of 0.634 was obtained for the usage of mobile banking, which means that the usage of mobile banking is influenced by customer engagement and loyalty by 62.6%, and the rest is influenced by variables that have not been explained in this study.

Hypothesis Test

	Original Sample (O)	T Statistics (O/STDEV)	P Values
Customer Engagement -> Usage of Mobile Banking	0.263	2.540	0.011
Loyalty -> Usage of Mobile Banking	0.574	6.007	0.000

H1: there is an influence between customer engagement and user mobile banking

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. The higher the customer engagement, the higher the user mobile banking.

H2: there is an influence between loyalty to mobile banking users

The results of testing the loyalty hypothesis with user mobile banking get a score of ($p = 0.574$) with p values of 0.000 ($p > 0.05$) and t statistics of 6.007 ($p < 1.96$), indicating that there is a significant positive relationship between the loyalty variable and user mobile banking. The higher the loyalty, the higher the user mobile banking.

Information technology supports and develops banking services such as Electronic Banking. Now customers want services that are practical and simple. Supporting facilities for banking products and services also needs attention. Indirectly, customers will interact and transact using supporting facilities provided by banks. Thus, a system is needed that answers the desire to meet the needs of banking services effectively and efficiently. Mobile banking is very beneficial for bank customers, including cost savings, time savings, and other benefits. Customer engagement is an important factor in increasing the use of mobile banking. Customers will want to get involved if they already have trust in the bank that provides m-banking. Increasing the intention to use, can be done by minimizing risk perceptions and fostering trust (Jayantari & Seminari, 2018). Customer engagement by showing interest in using m-banking services is also an important factor before trust. Loyalty is a psychological condition related to attitudes toward products. Consumers will form beliefs, determine likes and dislikes, and decide whether they want to buy products. So, consumer loyalty is the behavior associated with a product brand, including the possibility of renewing a brand contract in the future, how likely customers are to change their support for the brand, and how likely customers' desire to improve the positive image of a product is. Customer loyalty and customer intention to continue using the m-banking application were observed as significant outcome variables (Shahid, Islam, Malik, & Hasan, 2022). Markonah (2019) states that mobile banking services have a positive effect on customer loyalty. Meanwhile, the results of research by Triyanti, Kaban, & Iqbal (2021) show that mobile banking service quality has no direct effect on customer loyalty.

CONCLUSION

From the explanation above, the results of the study found that the usage of mobile banking is influenced by customer engagement and loyalty by 62.6%, and the rest is influenced by variables that have not been explained in this study. It can be concluded that mobile banking users show engagement from employees who are interested in the bank and loyalty from customers.

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