

SOCIAL MEDIA ENGAGEMENT AND BRAND LOYALTY IN ISLAMIC FINANCE

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Abstract: *The rapid digital transformation in the financial sector has compelled Islamic financial institutions (IFIs) to shift from traditional marketing to digital-centric strategies. While many IFIs have established a presence on social media, there remains a critical gap in understanding how digital engagement translates into long-term brand loyalty, particularly among Generation Z, who value both digital convenience and ethical alignment. This study aims to investigate the mechanism of Social Media Engagement (SME) in fostering brand loyalty within the Islamic banking context. It specifically explores how interactive dimensions such as content relevancy, responsiveness, and community building influence the cognitive and emotional loyalty of Muslim Gen Z consumers. Adopting a qualitative phenomenological approach, this study involved 30 active customers of Islamic banks (aged 18-27) who frequently interact with the banks' official accounts on Instagram and TikTok. Data were collected through semi-structured in-depth interviews and netnography of digital interactions over a three-month period. Thematic analysis was employed to identify core patterns of engagement. The results reveal that high social media engagement does not directly dictate loyalty but operates through the mediation of Brand Trust and Brand Love. Three specific antecedents were identified as drivers of this process: (1) Educational Value, where Sharia-literacy content functions as a signal of credibility and competence; (2) Responsive Humanization, where swift and empathetic digital responses bridge the gap between corporate rigidity and customer needs; and (3) Value Resonance, where lifestyle-centric content aligns with the customers' identity as modern Muslims. The study concludes that for Islamic banks, social media should not merely serve as a broadcasting channel for products, but as a strategic tool for "digital community building." Creating a sense of psychological ownership through value-driven interactions is essential for sustaining loyalty in a competitive digital market.*

Keywords: *Islamic Banking, Social Media Engagement, Brand Loyalty, Generation Z, Brand Trust, Digital Marketing*

Introduction

The evolution of digital technology over the past decade has fundamentally disrupted marketing strategies within the financial services sector. The shift from traditional to digital marketing demands that financial institutions not only maintain an online presence but also establish meaningful interactions with customers. Social media has evolved into a strategic platform where brands and consumers can engage in the co-creation of value. Dolan et al. (2019)

emphasize that Social Media Engagement (SME) is not merely a metric of activity such as the number of "likes" or comments but a psychological process involving cognitive and emotional dimensions that can influence consumer behavior toward a brand.

For Islamic financial institutions, adapting to this digital landscape presents both unique challenges and opportunities. Islamic banks are required not only to offer digital service convenience comparable to conventional banks but also to communicate Sharia compliance as their primary differentiator. Abror et al. (2020) highlight that in the marketing of Islamic banking services, perceptions of transparency and trust are foundational. Social media becomes a crucial channel for building this trust, where educational and transparent content can mitigate customer doubts regarding product compliance with Islamic principles.

This research focuses on **Generation Z**, a demographic group that is beginning to dominate the productive age population and possesses unique characteristics as digital natives. Unlike previous generations, Generation Z's loyalty is not solely driven by economic incentives or profit-sharing rates, but by **value alignment** between the brand and their personal principles. Suhartanto et al. (2018) found that the loyalty of Islamic bank customers is significantly influenced by religiosity and emotional image. For Gen Z, social media serves as a primary validation tool to assess whether an Islamic bank genuinely upholds the ethical values they promote or is merely engaging in superficial image building.

Despite the recognized urgency of digitalization, a **gap remains in the implementation of social media strategies** by many Islamic banks. Kurniawati and Yulianto (2019) note that many financial institutions are still trapped in rigid, one-way communication patterns (**broadcasting**), thereby failing to create deep emotional attachment. Conversely, Wijaya and Paramita (2021) indicate that intense social media interaction plays a strong mediating role in saving decisions. There is still minimal literature exploring qualitatively how specific forms of interaction such as admin responsiveness or content tone of voice can convert mere social media "followers" into **loyalists**.

Based on this background, this study aims to investigate the role of social media engagement in shaping **brand loyalty** among Islamic banking customers, specifically within Generation Z. Through a **qualitative approach**, this study will explore the subjective experiences of customers to understand how interaction elements in the digital space translate into trust and long-term loyalty. This understanding is crucial for Islamic banks to formulate digital communication strategies that are not only informative but also **emotionally and spiritually relevant** for the future market.

Literature Review

The Evolution of Digital Marketing in Islamic Banking

Digital transformation has fundamentally reshaped the competitive landscape of the Islamic banking industry, triggering a paradigm shift from conventional **brick-and-mortar** approaches toward an integrated digital ecosystem. This change occurs not only at the level of technological infrastructure but also transforms how banks interact with customers. Whereas trust was previously built through face-to-face interactions with bank officers in physical branches, these **touchpoints** have now shifted to device screens via mobile banking applications, chatbots, and social media. This shift compels Islamic banks to adapt rapidly to meet the expectations of modern customers who demand instant, seamless, and 24/7 services, without compromising banking **prudential principles**.

In literature reviews from the past decade, scholars emphasize that a digital presence for financial institutions is no longer merely an optional add-on, but a fundamental necessity for business **survival**. Alam et al. (2021) note that technology adoption in Islamic banking serves a dual purpose: enhancing operational efficiency through automation and expanding market reach through **financial inclusion**. Digital technology enables Islamic banks to transcend geographical boundaries, reach **unbanked** segments of society, and offer Sharia micro-products with significantly lower transaction costs compared to traditional methods.

However, amidst these opportunities lies a complex communication challenge. The primary hurdle is not merely digitizing savings or financing products, but rather how to **translate ethical Sharia values** into a digital communication language that is relevant and engaging for modern audiences. In an information-dense digital space, Islamic banks must be capable of visualizing abstract concepts such as "blessings" (barakah), "anti-usury" (anti-riba), and "transparency" into easily digestible content without **diluting the essence** of Sharia itself. This demands a creative content strategy so that messages of Sharia compliance do not appear rigid or outdated, but rather present themselves as an **ethical lifestyle** aligned with the universal values embraced by the current digital generation.

Social Media Marketing (SMM) as a Communication Strategy

Social Media Marketing (SMM) is broadly defined as the strategic utilization of social networking platforms and websites to promote products, build brand image, and manage customer relationships in real-time. Within the theoretical framework developed by Dolan et al. (2019), SMM content is classified into four key strategic dimensions: **informative, entertaining, remunerative, and relational**. Informative content focuses on providing accurate product data, while entertaining content aims to capture attention through humor or compelling visuals. On the other hand, remunerative content offers economic incentives such as promotions or rewards, whereas relational content is specifically designed to elicit dialogue and personal connections. The combination of these four elements is crucial for Islamic banks to transform the perception of financial services often viewed as **rigid** into something more dynamic and approachable for the young market segment.

In the specific context of financial services, the function of this strategy transcends its role as a mere sales promotion tool; SMM transforms into a **vital customer education mechanism**. Given that Islamic banking products often involve technical terminology and complex contracts (akad), social media functions as a **literacy bridge** that simplifies this information to ensure it is easily understood. Therefore, the effectiveness of SMM is no longer measured solely by quantity or **posting frequency**, but rather by the degree of content relevance in fulfilling users' informational (**cognitive**) needs and inner satisfaction (**emotional**). When presented content is perceived as relevant and beneficial, it triggers **voluntary interaction** from customers, which serves as an early indicator of the formation of healthy, organic engagement.

Social Media Engagement (SME) Concept

Social Media Engagement (SME) is understood as a complex multidimensional construction, which goes beyond just passive behavior such as viewing or reading content (passive consumption). Referring to the conceptual framework developed by Hollebeek et al. (2019), engagement is defined as a dynamic consumer psychological state and includes three main dimensions: cognitive, emotional, and behavioral. The cognitive dimension is related to the

level of concentration and thinking of the customer when processing brand information; the emotional dimension includes the feeling of inspiration, pride, or attachment that arises when interacting; while the behavioral dimension is the physical manifestation of that attraction in the form of digital action. The synergy of these three dimensions creates a deeper relationship than just a buying and selling transaction, turning the audience into active participants in the brand ecosystem.

In the context of a competitive banking industry, a high level of engagement is a vital indicator of the health of the relationship between banks and customers. This indicates that customers are not only aware of the existence of the bank (brand awareness), but also have an intrinsic interest to participate in the narrative built by the brand. This participation is reflected through various interaction metrics: "likes" as a simple form of approval or validation, "comment" as a form of desire to dialogue, to "sharing content" (sharing) which is the highest level of advocacy. These activities confirm the shift of the customer's position from just a recipient of information to a co-creator of value that also expands the range of bank's influence in the digital realm.

Dimension of Interaction and Consumer Participation

The level of consumer participation in social media can be hierarchically classified into three main levels: consumption, contribution, and creation. Kurniawati and Yulianto (2019) explained that the most basic level is consumption, where customer activity is limited to passive behavior such as reading text, looking at pictures, or watching videos without leaving visible digital traces (lurking). At this stage, even though there is no direct interaction, the customer's cognitive process continues in absorbing product information and brand values. This consumption stage is a crucial initial foundation, because the understanding formed here will determine whether the customer is interested in stepping into the deeper interaction stage or ignoring the content.

The next level is contribution, which marks the transition of customers from a passive audience to an active participant. At this stage, reciprocal interaction begins to occur, which is manifested through activities such as giving a "like" response (likes), replying to comments, or asking about products through the direct message feature. This interaction shows a psychological attraction and a desire to build a dialogue with the brand. For Islamic banks, this contribution stage is very valuable because it provides direct data on customer sentiment and opens up opportunities for banks to show service quality (service excellence) through a quick and empathetic response.

The highest level in the participation hierarchy is creation, which refers to User-Generated Content (UGC). At this level, customers voluntarily and independently produce positive content about the bank, such as making video reviews of savings experiences or sharing inspirational quotes from the bank to their personal accounts. For sharia banks, encouraging customers to reach this stage is very crucial. Considering that trust is the main capital in sharia finance, organic testimonials from fellow customers are considered much more credible and objective compared to corporate advertising claims. Social validation (social proof) born from this customer creation content is very effective in convincing other prospective customers about the integrity and aspects of the bank's sharia compliance.

Brand Loyalty in Financial Perspective

Traditionally, brand loyalty (Brand Loyalty) is understood as a deep commitment that is firmly held by consumers to buy back or subscribe to selected products and services consistently in the future. This classic definition emphasizes consumer resilience to the influence of competitor marketing that has the potential to cause brand transfer. However, in the landscape of the modern financial services industry, this definition has undergone a significant evolution. The advancement of financial technology (fintech) has drastically reduced the switching cost; customers can now open or close bank accounts only through mobile applications in minutes without significant bureaucratic obstacles. As a result, loyalty that is only based on transactional barriers (retention) becomes no longer relevant, forcing banks to build loyalty based on voluntary attachment.

Responding to this dynamic, Suhartanto et al. (2018) proposed a more nuanced framework in the context of sharia banking, where loyalty is conceptualized into two main components: behavioral loyalty and attitude loyalty. Behavioral loyalty refers to the aspect of transaction frequency and consistency of using bank products in a certain period of time. Although this indicator is important, behavioral loyalty is often pseudo (spurious loyalty) because it can be driven by compulsion, habit, or lack of alternatives, not because of a sincere preference for the brand.

On the other hand, attitude loyalty reflects a deeper psychological dimension, namely the existence of emotional attachment and strong affective preference towards the bank. This component manifests in the form of the intention to recommend the bank to others (Word of Mouth) and the willingness to defend the brand from negative criticism. In the era of social media, attitude loyalty becomes much more valuable than just behavioral loyalty. This is because loyalty attitude is often formed not from the satisfaction of financial transactions alone, but from satisfaction with the interaction of non-transactional services such as an empathetic admin response or inspiring social media content which builds a sense of belonging (sense of belonging) of customers towards the sharia bank community.

The Role of Religiosity and Sharia Compliance

The fundamental distinguishing factor that disrupts the conventional loyalty model in the context of Islamic banking is the religiosity variable. In this ecosystem, compliance with religious law is not just an additional feature or niche strategy, but an absolute prerequisite that determines the legitimacy of the institution in the eyes of consumers. Abror et al. (2020) in his empirical research found that the customer's perception of the bank's compliance with the principles of sharia (Sharia compliance) acts as a strong moderator; even excellent service quality will not be effectively converted into loyalty if the customer has doubts about the bank's sharia integrity. For the devout Muslim customer segment, the decision to choose a bank is an extension of religious observance, so the perception of deviation from sharia principles can trigger cognitive dissonance and spiritual anxiety that pushes them to switch to other institutions.

In this context, social media plays an instrumental role as a compliance visualization tool. Considering the status of sharia compliance as credence quality an attribute that is difficult to verify directly by ordinary customers, social media functions as a vital "window of transparency". When sharia banks actively and transparently display visual content about zakat distribution activities, fiqh muamalah education, or detailed explanation of the mechanism of usury avoidance, it effectively constructs and strengthens the "Islamic image" of the bank. Exposure to this kind of

content not only meets the need for information, but also satisfies the customer's spiritual well-being need for peace of mind. The fulfillment of this spiritual need is then crystallized into a strong emotional commitment, binding customers to the brand not only transactionally, but also ideologically.

Trust as a Mediation Variable

The causal relationship between involvement in social media and customer loyalty does not always run directly, but is often significantly mediated by trust variables (trust). Usman et al. (2022) emphasized that in an all-virtual digital economy ecosystem, trust is the most valuable main currency, exceeding physical assets alone. This is becoming increasingly crucial and complex in the context of the sharia financial services industry which is theoretically classified as credence goods. In this category, the quality of service especially the aspect of sharia compliance behind the scenes is very difficult to be independently verified by consumers, even after they consume the service. Therefore, customers are very dependent on the trust signals emitted by banks through their communication channels, where social media is one of the main indicators of transparency.

In social media operations, this trust is constructed gradually through the accumulation of responsive, transparent, and honest interactions. The response of social media admins that are not only fast but also solutive in handling public complaints build the perception of integrity and virtue (benevolence) of the bank. When customers feel that the bank is acting in their best interests which is reflected by an empathetic and non-defensive communication style when facing problems then a sense of security (psychological safety) will be built. At this point, loyalty will be formed naturally and organically; customers persist not because there is no other option, but because of the deep belief that the bank is a trustworthy and reliable partner in managing their finances according to sharia principles.

Characteristics of Generation Z and Brand Love

Generation Z has unique characteristics as a critical and value-oriented consumer. Wijaya and Paramita (2021) highlight that for this generation, the decision to save is greatly influenced by peer influence and lifestyle images displayed on social media. They tend to develop an emotional relationship called Brand Love towards a brand that is able to represent their identity. If a sharia bank is able to position itself on social media as a modern, ethical, and inclusive institution, Gen Z will feel proud to be affiliated with the bank, which is a strong indicator of loyalty.

The Impact of Content Marketing on Customer Decisions

The quality of marketing content (Content Marketing) on social media has a significant impact on brand perception, especially in the midst of current digital information saturation. Bilgin (2018) emphasized that the traditional approach that focuses on aggressive selling (hard selling) is increasingly ineffective, especially for young audiences who tend to resist intrusive advertisements. On the other hand, content that integrates educational and entertainment values or known as the edutainment concept proves to be much more powerful in maintaining audience attention. This strategy not only aims to attract momentary attention, but also to build the perception that the brand is a valuable and relevant source of information. By presenting entertaining but weighty content, brands can create positive associations in the minds of consumers, which in turn influence their purchasing decisions in a more persuasive but subtle way

(soft persuasion).

In the specific context of sharia banking, the role of content marketing becomes more crucial because of the literacy challenge regarding financial products that are often considered complicated. Many potential customers feel intimidated by the complex fiqh terminology of muamalah. This is where creative content functions as a cognitive barrier breaker (cognitive barriers). Content that is able to translate complex agreements such as Mudharabah or Musyarakah through simple infographics or light short videos, can significantly reduce the burden of processing customer information. This better understanding directly reduces uncertainty (uncertainty) and perceived risk. When customers feel "understand" and comfortable with the products they use, their confidence level increases, which then becomes a strong foundation for long-term loyalty to the bank.

Service-Dominant Logic and Co-Creation of Value

Theoretically, this phenomenon can be explained through the service-Dominant Logic (S-D Logic) lens. This theory sees that value is not created by the company itself, but co-created with consumers. Cheung et al. (2021) applies this view to social media, where customer interaction (asking, giving advice, complaining) on digital platforms is a form of participation in the creation of service value. Islamic banks that facilitate this co-creation by listening and responding to feedback on social media will create a stronger bond of loyalty because customers feel part of the entity.

Method

This research uses a qualitative approach with phenomenological design to understand the subjective experience of customers.

1. Research Subject: Consists of 30 Islamic bank customers (aged 18-27 years old) who actively interact with the bank's social media account at least 3 times a week.
2. Data Collection: Conducted through In-depth Interview (In-depth Interview) and digital activity observation (netnography) in the comment column of the related Islamic bank's Instagram and TikTok accounts.
3. Data Analysis: Data is analyzed using Braun and Clarke's thematic analysis techniques to identify engagement patterns that lead to loyalty.

Results and Discussion

Thematic analysis produces three main themes that explain how social media engagement contributes to brand loyalty:

1. Sharia Literacy Education as a Credibility Builder

The findings show that educational content (for example: explanation of the Wadiah vs Mudharabah contract in a short video format) is more effective in building loyalty than hard-selling promotional content. Customers feel that banks that are active in education on social media are considered more "trustworthy" and transparent. This is in line with the findings of Usman et al. (2022) who stated that digital sharia financial literacy has a positive effect on saving decisions.

2. Responsivity and Humanization of Service

Loyalty is formed when customers feel "human touch" behind corporate accounts. The admin's quick, empathetic, and non-rigid (robotic) response to complaints in the

comment column makes customers feel appreciated. This social interaction validates the Service-Dominant Logic theory, where value is created together (co-creation) through interaction.

3. Alignment of Ethical Values and Halal Lifestyle

Gen Z customers tend to be loyal to sharia banks that display halal lifestyle content that is relevant to their lives, not just verse quotes. The integration of Islamic values with modern issues (such as green finance or digital alms) on social media strengthens the identity of customers as modern Muslims, which in turn strengthens brand loyalty (brand evangelism).

Conclusion

This research provides deep insight into the dynamics of the relationship between social media engagement and brand loyalty in the context of Islamic banking, especially among Generation Z. The study's findings underline that in the digital era, social media has transformed from just a secondary marketing channel into the main strategic infrastructure in building customer trust. The main point of this research is that the intensity of engagement (number of likes or comments) does not automatically generate loyalty if it is not accompanied by a meaningful interaction quality. Generation Z's loyalty to sharia banks is constructed through three fundamental pillars: literacy education that builds the perception of competence, humanization of services that creates emotional bonds, and a resonance of values that affirms the spiritual identity of customers.

Theoretically, this research enriches Islamic marketing literature by validating the relevance of Service-Dominant Logic (S-D Logic) in a digital context. This study proves that the value of Islamic banks is not completely determined by the products offered, but is co-created through dialogical interaction between customers and banks in the digital space. In addition, this finding expands the understanding of loyalty by highlighting that for young Muslim customers, "sharia compliance" is no longer just a static label, but an experience that must be felt and validated continuously through transparency of communication on social media.

The managerial implications of this study suggest a strategic change for sharia banking practitioners. First, banks must shift the social media management paradigm from the "information broadcasting" model (broadcasting) to the "community building" model (community building). The content focus must be shifted from hard-selling products to halal lifestyle content and financial education that is relevant to Gen Z's daily life. Second, the role of social media administrators needs to be revitalized; they must be trained not only as marketing staff, but as service ambassadors who have sharia competence and high empathy, considering their response represents the face of the institution.

Regardless of the contribution given, this research has limitations that need to be recognized. A qualitative approach with a limited number of samples to one specific generation (Gen Z) limits the generalization of findings to a wider customer population or an older generation. In addition, this study has not measured the direct financial impact of engagement on bank profitability. Therefore, further research is recommended to adopt a quantitative approach to test the conceptual model found on a larger scale, as well as explore how new technology variables such as Artificial Intelligence (AI) in customer service (chatbots) can affect the perception of "human touch" which is the key to loyalty in this study.

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