

## Customer Engagement, Perceived Value, and Retired Customers' Loyalty: The Mediating Role of Affective Commitment

Evi Ervianti\*, Popy Rufaidah

Faculty of Economics and Business, Padjadjaran University, Indonesia

\*Corresponding email: [evi24001@mail.unpad.ac.id](mailto:evi24001@mail.unpad.ac.id)

**Abstract:** This study examines how customer engagement and perceived value influence loyalty among retired customers, with affective commitment serving as a key mediator. The research focuses on retirees of Bank bjb KC Tasikmalaya, a regional development bank operating in a highly competitive financial services environment. The data were collected through purposive sampling, yielding 100 valid responses. The collected data further analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software version 4.0. The findings of the study show that customer engagement and perceived value significantly enhance affective commitment, but do not directly affect loyalty. In addition, the result of this study also indicate that affective commitment can act as a crucial mediator in connecting these factors to loyalty. These results emphasize that emotional bonds play a more prominent role than transactional considerations for retired customers. Furthermore, it raises the practical insights for banks to strengthen long-term relationships through relational engagement strategies.

**Keywords:** Affective Commitment, Customer Engagement, Customer Loyalty, Perceived Value, Retirees

### INTRODUCTION

The banking sector is facing intensifying competition driven by market liberalization, digital innovation, and shifting customer expectations (Gaviyau & Godi, 2025). In such an environment, retaining customers has become increasingly challenging, as loyalty is no longer guaranteed by structural arrangements alone (Morgan & Hunt, 1994). Service providers are therefore required to move beyond transactional exchanges and develop relational strategies that emphasize long-term value creation and customer engagement (Pansari & Kumar, 2017). This shift highlights the importance of customer engagement, which reflects customers' cognitive, affective, and behavioral involvement with a service provider.

A prior study by Hollebeek et al. (2021) stated that customer engagement has been the dominant topic in service marketing studies over the past 15 years, and has been shown to play a role in increasing customer loyalty and advocacy. In addition, a previous work remarked that engagement is not just an interaction, but a form of deep emotional relationship that shows the customer's attention and active participation in the brand or institution (Van Doorn et al., 2010). However, customer engagement does not have an optimal impact without a positive perceived value. Zeithaml (1988) remarked that perceived value is an overarching assessment of the relative benefits that customers obtain compared to the sacrifices they incur.

Customer mobility has become more fluid in the post-employment phase, as pension disbursement mechanisms no longer automatically bind retirees to a

single banking institution. In the context of regional banking institutions such as Bank bjb KC Tasikmalaya, maintaining customer loyalty presents increasing challenges, particularly as customers are exposed to alternative financial service providers, including private banks and fintech platforms. Unlike active salary-based customers, retired clients have greater flexibility in choosing financial institutions, which increases the likelihood of switching behavior. This situation requires banks to move beyond functional service delivery and adopt relational strategies that foster emotional attachment and long-term commitment.

One of the strategic segments that needs attention is retired customers, who are no longer systematically tied to one particular financial institution. Unlike active civil servants who are captive markets due to the automatic payroll system, retired customers have the flexibility to choose pension distribution institutions. This makes retiree loyalty dynamic and influenced by experience, satisfaction, and emotional closeness to the bank. The importance of a special approach to retired customers lies in their high bargaining position. They can move to another bank if they feel that the service is not satisfactory, so a strategy is needed that builds emotional bonds and a positive experience consistently.

In this case, affective commitment is a key variable. Fullerton (2005) defines affective commitment as a customer's psychological attachment that is born from a sense of belonging, emotional closeness, and involvement with the institution. Consequently, loyalty emerges voluntarily rather than as a result of structural or contractual constraints. The study conducted on the retail banking industry in South Africa by Roberts-Lombard and Pieterse (2024) shows that affective commitment is able to mediate the relationship between engagement and loyalty. Long-term loyalty is driven by a robust affective commitment formed from high customer engagement and their perception of value for service. This is also supported by the results of another study conducted by Bergel et al. (2019), which show that affective and cognitive factors of customer engagement are important aspects in the formation of customer loyal attitudes and behaviors.

Despite the growing body of literature examining customer engagement, perceived value, and loyalty in banking contexts, several conceptual and empirical gaps remain. First, prior studies predominantly report a direct and positive relationship between customer engagement and loyalty (e.g., Hapsari et al., 2020; Nugroho & Suprapti, 2022), yet emerging findings suggest that this relationship can not always be significant when emotional mechanisms are considered. Second, although mediation models involving affective commitment have been tested in general retail banking, limited attention has been given to specific and behaviorally distinct customer segments, such as retirees, whose decision-making patterns differ from active salary-based customers. Third, most previous studies (e.g., Mainardes et al., 2023; Alnsour, 202) were conducted in large commercial banking environments, leaving regional banking institutions underexplored, particularly in developing country settings.

In the context of regionally-owned banking institutions, customer loyalty is shaped by interrelated relational factors, particularly engagement, perceived value, and affective commitment. The combination of these variables is a strong theoretical foundation in the formation of customer loyalty. In this research, the affective commitment dimension acts as a mediator that affects customer

engagement and perceived value on customer loyalty variables. Testing the mediating role of Affective commitment can show whether loyalty is formed directly through engagement and perceived value, or whether it requires affective bonding first. This approach is important to formulate service policies that are more humanistic, proactive, and value-based.

This research specifically focuses on retired customers of Bank bjb KC Tasikmalaya because this segment has strategic value. Although not systemically bound, the retirement group has a significant contribution to the third-party fund portfolio and the financial stability of the bank. Their loyalty needs to be carefully managed to survive in an increasingly competitive ecosystem. Thus, the main purpose of this study is to evaluate the contribution of customer engagement and perceived value in shaping the loyalty of retired customers, especially through the role of mediating affective commitment. It is forecasted that the results of this study will not only enrich the literature on marketing relationships in the service sector, but also provide practical input for policymakers in regional banks in designing customer retention strategies based on long-term relationships.

This study offers three main contributions. Theoretically, it extends relationship marketing literature by examining the full mediation mechanism of affective commitment in a specific retirement banking context, thereby clarifying inconsistent findings regarding the direct effect of engagement and perceived value on loyalty. Empirically, it provides evidence from a regional development bank in Indonesia, enriching the limited research conducted outside large commercial banking systems. Managerially, the findings offer strategic insights for regional banks in designing retention strategies that emphasize emotional bonding rather than purely transactional value propositions. This study challenges the assumption that banking loyalty is primarily structurally driven.

## **METHODS**

### **Research Design**

This study employed a quantitative approach using Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine the structural relationships among customer engagement, perceived value, affective commitment, and customer loyalty. Affective commitment is positioned as a mediating construct to assess whether engagement and perceived value influence loyalty directly or indirectly through emotional attachment. The proposed conceptual model serves as the basis for hypothesis testing and empirical validation.

### **Data and Sample Collection**

To understand how retired customers interact with Bank bjb's services, data were collected through a structured questionnaire aimed specifically at those receiving pension payments at the Bank bjb Tasikmalaya Branch. The survey was distributed using Google Form, and respondents were carefully selected using purposive sampling. Only individuals who had reached retirement age, were actively receiving their pensions from the bank, and maintained a savings account for at least one year were eligible to participate. These criteria ensured that

respondents had sufficient experience with the bank's services and could provide meaningful feedback (Zickar & Keith, 2023). Purposive sampling was ideal because the study focused on a very specific segment, retired customers regularly receiving pension disbursements, where random sampling would not have captured the intended population effectively.

Out of 112 returned questionnaires, 12 were excluded due to incomplete or patterned responses, leaving 100 valid responses. This number is adequate for PLS-SEM, which can handle complex models even with modest sample sizes. An a priori power analysis using G\*Power confirmed that 96 respondents would be sufficient for three predictors at a significance level of  $\alpha = 0.05$  and a statistical power of 0.80, indicating that the actual sample size exceeded the minimum requirement.

Before full data collection, the questionnaire was pretested with 30 retired customers to ensure clarity, relevance, and cultural appropriateness. Translation and back-translation procedures were applied to maintain semantic accuracy across languages. According to Hair et al. (2019), this approach ensures reliability even in complex structural models with relatively small samples. The adequacy of the sample was further evaluated using the ten-times rule, which suggests that the minimum sample size should be ten times the largest number of structural paths pointing to a single construct. In this model, customer loyalty is influenced by customer engagement, perceived value, and affective commitment, three paths indicating a minimum of 30 respondents. With 100 valid responses, this threshold was comfortably surpassed.

In addition, following Hair et al. (2021), a sample of 100 is considered appropriate for models with moderate effect sizes and reflective constructs. Overall, the sample is sufficiently robust to provide reliable estimates of the structural relationships under study. It also meets recommended thresholds for mediation analysis in variance-based SEM, ensuring that the results meaningfully reflect the experiences and attitudes of retired customers interacting with Bank bjb.

## **Measurement**

A number of instruments that have been validated in the previous study were used to measure the variables in this study. Customer engagement is assessed based on Hollebeek et al. (2014), which covers three dimensions: cognitive processing, affection, and activation, which consists of 10 statement items. Perceived value is adapted from Nyadzayo (2010) in Roberts-Lombard et al. (2024), consisting of 4 statement items. Affective commitment is measured based on Giovanis et al. (2015) as many as 5 statement items. Customer loyalty refers to the two dimensions of Mandhachitara and Poolthong (2011), specifically behavioral and attitudinal loyalty, with a total of six statement questions. A 5-point likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), was used to assess each item.

Prior to full-scale data collection, the questionnaire underwent a pretesting procedure involving 15 retired customers to assess clarity, wording, and contextual relevance. Minor adjustments were made to improve comprehension, particularly in simplifying technical terms. Since the measurement scales were

adapted from international studies, a translation and back-translation process were conducted to ensure semantic equivalence between the original English items and the Indonesian version used in the survey. This procedure aimed to enhance content validity and reduce potential measurement bias.

### Data Analysis

PLS-SEM method was used to analyze the data using SmartPLS software version 4. This approach was selected because it does not need a normal data distribution and can handle sophisticated research models including latent components (Haenlein & Kaplan, 2004). The analysis was conducted in two stages: evaluation of the measurement model (reliability and validity tests) and assessment of the structural model (path coefficients,  $R^2$ ,  $Q^2$ , and bootstrapping for hypothesis testing). Bootstrapping with 5,000 resamples was employed to assess the significance of both direct and indirect effects, including the mediation pathway. The p-value obtained from the test track indicates the importance of the association between the constructs. The analysis was conducted using 100 valid observations as the basis for hypothesis testing and mediation assessment (Preacher & Hayes, 2008).

## RESULTS AND DISCUSSION

The characteristics of the respondents in this study reflect the profile of retired customers served by Bank bjb KC Tasikmalaya. Most of the respondents were retirees who previously worked in government institution (State Civil Apparatus/ASN), which reflects the institutional relationship between Bank bjb as a pension fund payment partner and government institutions. The distribution of respondents by gender was relatively balanced, with the proportion of males slightly higher than females. In terms of age, the majority of respondents were in the 60–69 age range, which suggests that the sample is truly representative of the active retiree group. The main source of income comes from regular retirement funds, although some respondents also earn additional income from personal savings, self-employment, or other sources. The length of account ownership shows a strong level of attachment, where most of them have been customers of Bank bjb for more than three years. Complete information on the distribution of respondents is presented in Table 1.

**Table 1.** Respondent Description

Characteristic	Category	n	Percentage
<b>Gender</b>	Male	53	53.0
	Female	47	47.0
<b>Age</b>	< 50 years	1	1.0
	50–59 years	5	5.0
	60–69 years	75	75.0
	> 70 years	19	19.0
<b>Monthly Income</b>	< Rp1,000,000	0	0.0
	Rp1,000,000–Rp2,999,999	18	18.4
	Rp3,000,000–Rp4,999,999	62	62.2

Characteristic	Category	n	Percentage
<b>Main Source of Income</b>	Rp5,000,000–Rp7,000,000	19	19.4
	> Rp7,000,000	0	0.0
	Pension Fund	93	92.9
	Savings	4	4.1
	Personal Business	3	3.1
	Investment	0	0.0
<b>Length as BJB Customer</b>	Family Support	0	0.0
	< 1 year	1	1.0
	1–3 years	1	1.0
	3–5 years	49	49.0
<b>Last Occupation</b>	> 5 years	49	49.0
	Government Institution (Civil Servant/ASN)	100	100.0

Source: Processed data by authors (2025)

Table 1 shows that the respondents were predominantly aged between 60 and 69 years, reflecting the typical retirement age profile of civil servants. All participants were former government employees (ASN), indicating a relatively homogeneous occupational background. Most respondents had been customers of Bank bjb for more than three years, suggesting established banking relationships. Pension funds constituted the primary source of income for the majority of respondents, confirming the relevance of the study context.

### Measurement of Validity and Reliability

To perform the convergent validity test, each indicator's loading factor value is compared to its construct. According to Hair et al. (2019), strong validity is found in indicators with a loading value of  $\geq 0.50$  in explaining latent constructs. The minimum permissible loading value is 0.50 as long as the AVE (Average Variance Extracted) value of the construct is above 0.50. Based on the results of data processing through the SmartPLS 4 application, it was found that most of the indicators had met the criteria for AVE values above 0.50 and had a loading factor of  $\geq 0.50$ . Thus, the measurement model in this study can be said to be valid and feasible to proceed to structural testing. A summary of the results of the convergent validity and reliability tests is presented in Table 2.

**Table 2.** Internal Consistency and Convergent Validity

Construct & Item Statement	Cronbach's Alpha	CR	Outer Loadings	AVE
<i>Customer engagement (CE)</i>	<b>0.827</b>	<b>0.873</b>		<b>0.501</b>
CE2 – When using Bank bjb's services, I often think about the advantages of this bank			0.462	
CE4 – I had a pleasant experience when using Bank bjb services			0.731	
CE6 – I feel happy every time I interact with Bank bjb			0.832	
CE7 – I am proud to be a customer of Bank bjb			0.753	

Construct & Item Statement	Cronbach's Alpha	CR	Outer Loadings	AVE
CE8 – I use Bank bjb's services more often than other banks			0.734	
CE9 – In every banking need, I tend to choose Bank bjb			0.745	
CE10 – Bank bjb is one of the banks I use the most			0.638	
<i>Perceived Value (PV)</i>	<b>0.760</b>	<b>0.844</b>		<b>0.576</b>
PV1 – Bank bjb provides a service that is commensurate with the cost I incurred			0.690	
PV2 – Becoming a Bank bjb customer is the right decision considering price & cost			0.717	
PV3 – Based on the quality of service I received, Bank bjb was the right choice			0.801	
PV4 – The costs I incur are proportional to the quality of service I receive			0.821	
<i>Affective Commitment (AC)</i>	0.916	0.937		0.749
AC1 – I feel I have a strong attachment to Bank bjb			0.826	
AC2 – I feel like part of the big family of Bank bjb			0.925	
AC3 – I feel an emotional bond with Bank bjb			0.908	
AC4 – I feel happy to be a customer of Bank bjb			0.845	
AC5 – I have a powerful sense of belonging to Bank bjb			0.818	
<i>Customer Loyalty (CL)</i>	<b>0.810</b>	<b>0.863</b>		<b>0.512</b>
CL1 – I share my good impressions of Bank bjb's services with family or friends			0.638	
CL2 – Bank bjb has always been my top choice			0.729	
CL3 – I consider myself a loyal customer of Bank bjb			0.684	
CL4 – I will continue to use Bank bjb services			0.726	
CL5 – I will use Bank bjb if I need a new service			0.758	
CL6 – Most of my banking activities are done at Bank bjb			0.751	

*Note.* Outer loading data based on SmartPLS processing; the CE2 indicator = 0.462 is maintained as the construct AVE value remains > 0.50.

Source: Processed data by authors (2025)

Although one indicator (CE2) had an outer loading value of 0.462, the Customer engagement construct still met the convergent validity, indicated by an AVE value of 0.501 and a Composite Reliability (CR) of 0.873, both of which were above the minimum recommended threshold. According to Hair et al. (2022), indicators with loads below 0.70 can still be maintained as long as they do not significantly degrade the overall quality of construct measurements. In this case,

CE2 is still included because its contribution still supports the robustness of the construct statistically. However, in the initial process of testing the measurement model, there were three indicators, namely CE1, CE3, and CE5, which were excluded from the follow-up analysis because the outer loading value was too low and did not contribute optimally to the representation of the Customer engagement construct.

These three indicators, although substantively reflecting cognitive and affective involvement, do not meet adequate statistical quality in the context of this model. If they remain included, the existence of all three has the potential to disrupt the validity of the construct and the overall stability of the structural model. Accordingly, to maintain the integrity and accuracy of the analysis results, three statement items were removed. Based on Cronbach's Alpha and Composite Reliability (CR) values, which show that a number above 0.70 constructs in the model are considered to have adequate reliability. These values reflect the strong internal consistency between the indicators in each construct. The fact that most of the variance indicators can be well explained by the latent variable construct that is measured, is reflected in the Average Variance Extracted (AVE) value which shows a value that exceeds the minimum standard of 0.50. Therefore, the criteria for convergent validity and construct reliability have been satisfactorily fulfilled.

### Discriminant Validity and Construct Reliability

Based on the recommendations of Hair et al. (2019), the Fornell-Larcker criteria and the Heterotrait-Monotrait ratio (HTMT) are two approaches that can be used in evaluating discriminant validity. As shown in the Fornell-Larcker table, the square root of the AVE value in each construct is greater than the correlation between the other constructs. This shows that each construct has a clear difference in measuring the concept in question. As an illustration, the AVE value for the affective commitment construct is 0.866, higher than its correlation with customer engagement of 0.595 and customer loyalty of 0.649. Similar results are also seen in the perceived value construct which has an AVE value of 0.759. In addition, all HTMT values were recorded below the conservative limit of 0.85, including CE-AC of 0.674 and PV-CL of 0.594. Based on these findings, it can be concluded that the validity of the discriminant has been fulfilled and no indication of multicollinearity between constructs was found in the model.

**Table 3.** Discriminatory Validity - Fornell-Larcker

	<b>Affective Commitment</b>	<b>Customer engagement</b>	<b>Customer Loyalty</b>	<b>Perceived Value</b>
Affective Commitment	0.866			
Customer engagement	0.595	0.708		
Customer Loyalty	0.649	0.530	0.716	
Perceived Value	0.527	0.587	0.467	0.759

Source: Processed data by authors (2025)

### Model Fit Test

Standardized Root Mean Square Residual (SRMR), d\_ULS (Unweighted Least Squares discrepancy), d\_G (Geodesic discrepancy), Chi-square, and Normed Fit Index (NFI) were among the *goodness-of-fit* measures used to assess the structural

model's viability. These five metrics are intended to assess how well the created model captures the actual data gathered from the field.

The SRMR value in the estimated model and saturated model was recorded as the same, which was 0.093. Although slightly above the ideal threshold of 0.08, this figure is still acceptable in exploratory studies, as it indicates a not very large residual deviation between the model and the actual data. Furthermore, the d\_ULS and d\_G values on both models also showed identical numbers, 2.170 and 0.905, respectively. In this context, the unchanged value indicates that the degree of model mismatch with the data is fixed, both before and after the estimate is made. It should be noted that there is no specific threshold value standard for these two indicators, but in general, smaller values indicate better model suitability.

The saturated and estimated models both display a value of 474,085 according to the chi-square findings. These numbers' closeness suggests that the model's overall fit has not changed much. The chi-square statistic in PLS-SEM is sensitive to model complexity and sample characteristics; therefore, it is interpreted cautiously in this analysis. Meanwhile, NFI has a value of 0.659 on both models. While the NFI value does not reach the conventional threshold of 0.90, model fit assessment in PLS-SEM primarily emphasizes predictive capability rather than global goodness-of-fit indices. Given the satisfactory reliability, validity,  $R^2$ , and  $Q^2$  values, the structural model is acceptable for explanatory purposes.

**Table 4.** Model Fit

	<b>Saturated model</b>	<b>Estimated model</b>
SRMR	0.093	0.093
d_ULS	2.170	2.170
d_G	0.905	0.905
Chi-square	474.085	474.085
NFI	0.659	0.659

Source: Processed data by authors (2025)

### **Coefficient of Determination ( $R^2$ )**

The value of the determination coefficient (R-square) shows that the customer loyalty (CL) variable is simultaneously influenced by the variables Affective Commitment (AC), Customer engagement (CE), and Perceived Value (PV) by 46.0%. The Affective Commitment (AC) variable was influenced by CE and PV by 40.3%. According to the categorization suggested by Hair et al. (2019), this score shows that the model has an explanatory capacity at a medium to high level. Furthermore, the model's capacity to accurately predict endogenous components is evaluated using Q-square ( $Q^2$ ). The analysis's findings revealed that the  $Q^2$  value for customer loyalty was 0.311 and for the Affective Commitment component, it was 0.278. These numbers indicate that the model has adequate predictive capabilities for these variables.

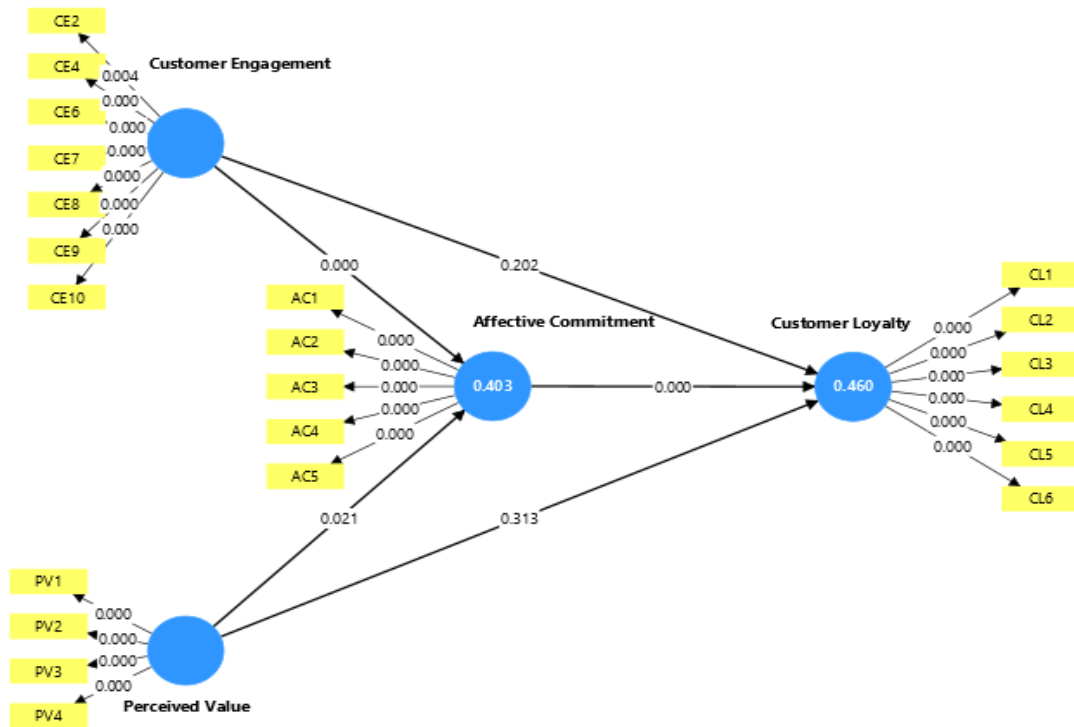
**Table 5.**  $R^2$  and  $Q^2$

<b>Variable endogenous</b>	<b><math>R^2</math></b>	<b><math>Q^2</math></b>
Affective Commitment	0.403	0.278
Customer Loyalty	0.460	0.311

Source: Processed data by authors (2025)

**Hypothesis Testing**

Hypothesis testing was conducted using a bootstrapping procedure with 5,000 resamples based on 100 observations to obtain stable standard errors and t-statistics. Table 6 shows that two of the five relationships in the model were insignificant. These insignificant relationships are between customer engagement and customer loyalty (p-value = 0.202), as well as between perceived value and customer loyalty (p-value = 0.313). Thus, these two pathways were not statistically supported in the model tested (see Figure 1).



**Figure 1.** Bootstrapping Model  
Source: Generated by Smart PLS 4 (2025)

**Table 6.** Path Coefficient

Path	Relationship	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values	Decision
H1	AC → CL	0.488	0.469	0.123	3.974	0.000	Supported
H2	CE → AC	0.436	0.443	0.103	4.218	0.000	Supported
H3	CE → CL	0.178	0.184	0.140	1.276	0.202	Not Supported
H4	PV → AC	0.271	0.259	0.118	2.306	0.021	Supported
H5	PV → CL	0.105	0.109	0.104	1.009	0.313	Not Supported

*Note.* CE = Customer engagement; AC = Affective Commitment; PV = Perceived Value; CL = Customer Loyalty

Source: Processed data by authors (2025)

Meanwhile, the paths from customer engagement to affective commitment and from affective commitment to customer loyalty show statistical significance.

The results highlight that affective commitment functions as a key channel through which customer engagement translates into loyalty. Although the indirect effect of perceived value on loyalty approaches significance, it should be interpreted cautiously, suggesting that emotional attachment is a necessary intermediary. Table 7 presents the specific indirect effects tested through bootstrapping.

**Table 7.** Specific Indirect Effect Mediation Testing

Relationship	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values	Decision
CE → AC → CL	0.213	0.207	0.071	3.014	0.003	Supported
PV → AC → CL	0.132	0.123	0.069	1.926	0.054	Not Supported

*Note.* CE = Customer engagement; AC = Affective Commitment; PV = Perceived Value; CL = Customer Loyalty

Source: Processed data by authors (2025)

## Discussion

The findings suggest that perceived value alone is not sufficient to foster loyalty among retired customers. While customers may evaluate the benefits and costs of banking services positively, such evaluations do not automatically translate into sustained commitment. Instead, value perceptions appear to become influential only when they stimulate emotional attachment. This interpretation aligns with Zeithaml's (1988) conceptualization of perceived value as a comparative assessment of benefits and sacrifices. However, as noted by Sweeney and Soutar (2001), perceived value is multidimensional, encompassing not only functional considerations but also emotional and social elements. In the context of long-term financial relationships, these emotional components seem to play a decisive role in transforming value perceptions into enduring loyalty.

The indirect relationship between perceived value and loyalty further indicates that value operates more effectively when channeled through affective commitment. Although this pathway approached conventional statistical thresholds, it should be interpreted cautiously and viewed as suggestive rather than definitive. This pattern implies that cognitive evaluations of service benefits become strategically meaningful only when they foster a sense of emotional connection with the institution. Conceptually, this reinforces the position of affective commitment as a central psychological mechanism linking customer experience to loyalty behavior. As proposed by Allen and Meyer (1991), affective commitment reflects emotional attachment and identification, which represent the most stable form of relational bonding. This interpretation is also consistent with Morgan and Hunt's (1994) Commitment-Trust Theory, which emphasizes that enduring relationships are sustained through commitment rather than transactional exchanges.

Customer engagement demonstrates a similar relational pattern. Although engagement does not directly translate into loyalty, it appears to function as an emotional gateway that facilitates deeper commitment. Behavioral participation and cognitive involvement alone may not be sufficient to secure loyalty unless they evolve into emotional identification with the institution. This finding refines prior perspectives that position engagement as an immediate predictor of loyalty and

instead supports a more process-oriented mechanism in which engagement contributes indirectly through affective pathways. Comparable patterns have been observed in recent banking studies, such as Roberts-Lombard et al. (2024), which highlight that loyalty formation is strongly shaped by emotional commitment rather than satisfaction alone.

Affective commitment emerged as the primary driver of loyalty within the model. This finding is consistent with Fullerton (2005), who argues that voluntary loyalty is largely rooted in emotional bonds rather than calculative considerations. In the context of retired customers, emotional attachment is likely to be cultivated through long-term service interactions, personalized communication, and accumulated positive relational experiences over time. For customers in the post-employment phase, relational continuity may carry greater significance than purely economic incentives.

These findings also resonate with Gurler's (2024) research in the aviation sector, where emotional identification functions as a mediating mechanism in loyalty formation. Although the empirical contexts differ, both studies underscore the importance of psychological closeness and relational meaning in sustaining long-term commitment. Within pension banking services, this mechanism is reflected in consistent service delivery, personal interaction, and historical ties that shape perceptions of care and institutional reliability.

The model demonstrates meaningful explanatory power in understanding loyalty formation in financial services. More importantly, the findings indicate that perceived value and customer engagement do not automatically produce loyalty unless they culminate in affective commitment. This suggests that relational strategies must move beyond efficiency and incentive-based approaches toward cultivating emotional resonance and long-term relational depth. As emphasized by Petzer and van Tonder (2019), engagement becomes valuable when accompanied by affective connection.

From a theoretical perspective, this study suggests that loyalty formation in service relationships tends to operate through affective pathways rather than solely through cognitive evaluations. The findings suggest that perceived value and engagement function as antecedents of emotional bonding, not direct predictors of loyalty. This contributes to relationship marketing theory by reinforcing the central role of affective commitment as a mediating psychological mechanism, particularly in long-term financial service relationships. The managerial implications of the findings in this study are that in the context of developing retention programs and as a strategic step in creating and maintaining long-term relationships with this segment of retired customers who have great potential, the bank's management needs to develop a strategy that is not only oriented towards incentives or service efficiency, but needs to focus more on creating positive and sustainable emotional experiences. This can be done by providing training programs for employees to be able to establish empathic communication, holding relationship-based loyalty programs, and prioritizing a personal approach in post-retirement services to maintain long-term relationships with this increasingly strategic customer segment.

## CONCLUSION

The shift in banking services orientation from a transactional approach to a relational approach highlights the importance of understanding emotional and cognitive attachment, particularly in building long-term loyalty among retired customers. This study aims to examine the influence of customer engagement and perceived value on loyalty, as well as assess the role of affective commitment in the relationship between the two variables in shaping the long-term loyalty of retired customers of Bank BJB KC Tasikmalaya. Consistent with relational marketing theory, which underscores the role of emotional bonds in connecting perceived value to loyalty, the PLS-SEM analysis shows that customer engagement and perceived value do not directly affect loyalty among retired customers. Rather, both factors significantly enhance affective commitment, which in turn drives loyalty, highlighting the mediating role of emotional attachment in sustaining long-term customer relationships. However, both variables significantly enhanced affective commitment, which in turn influenced customer loyalty. This study is subject to several limitations. The sample size, although adequate for PLS-SEM analysis, remains relatively modest and limited to a single regional bank. Additionally, the cross-sectional design restricts causal inference. Future research can consider longitudinal approaches and broader institutional contexts to enhance generalizability.

### Authors Contribution

E. E = Conceptualization, research design, data collection, data analysis, writing – original draft preparation; R. R = Conceptualization, research design, methodology and final review of the manuscript.

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Not applicable

### Competing interests

The author has declared that there are no conflicts of interest

### Data availability

The data were provided upon reasonable request to corresponding author (evi24001@mail.unpad.ac.id)

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