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The Impact of Influencer Marketing on Brand Loyalty and Credibility: The Mediating Role of Parasocial Interaction

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Abstract

Background: Advertisements that integrate influencer marketing have the potential to foster positive parasocial relationships with the target audience, eliciting a favorable emotional response from customers.

Purpose: This study aims to investigate the impact of marketing on brand loyalty and credibility, taking into account parasocial interaction among users.

Design/methodology/approach: This study employed an explanatory research approach to evaluate the attributes of influencers that influence consumer loyalty and credibility in the Kathmandu Valley, using the means-end chain model. Convenience sampling is employed in this study as a non-probability sampling technique. Data were collected from 429 respondents using structured questions administered through the KOBO toolbox. Following data collection, the data were analyzed using both descriptive and inferential statistics. The inferential analysis was conducted through structural equation modeling within SmartPLS 4.0.

Findings: Findings reveal that Language Similarity and Interaction Frequency have a direct and significant impact on brand loyalty and credibility, with parasocial interaction serving as a mediating factor. The major challenges were identified as a gap between what is promised and what is delivered, and a lack of creativity, which can be minimized by realistic advertisements that showcase actual features and benefits.

Conclusion: The study concludes that language similarity and frequent interactions play a critical role in strengthening brand loyalty and credibility, with parasocial interaction serving as an effective mediating mechanism. However, the industry still faces challenges, particularly the mismatch between promised and delivered value, as well as a lack of creative communication. Addressing these issues through authentic, realistic advertisements that highlight genuine features and benefits can significantly enhance consumer trust and long-term brand relationships.

Keywords: Influencer Marketing, Brand Loyalty, Credibility, Parasocial Interaction, PLS SEM, Trust, Kathmandu Valley.

1. Introduction

As consumer skepticism towards traditional marketing grows, companies face increasing challenges in capturing their audience's attention and influencing them. As a result, marketers are increasingly turning to social media influencers to promote a diverse range of products, from cell phone plans to food and fashion, across platforms such as Instagram, Facebook, and more. The result is a communication strategy known as "influencer marketing": the identification and motivation of "influencers" to disseminate messages to their "influenced" followers via social media, under the company's control, but without the audience being aware that the company is influencing the influencer (Leung et al. 2022). The main challenge lies in capturing the attention of perpetually distracted consumers in an era of instant gratification. Online opinion leaders, highlighted by Casaló et al. (2009), play a pivotal role in shaping consumer perspectives. Product blogs, discussed by Delisle and Parmentier (2016), have gained traction across industries. Instagram, especially in the fashion sector, stands out with consistent growth in active users, making it the preferred platform for influencers due to its immediacy and community-building capabilities (Hashoff, 2017). Its engagement rate surpasses other social networking sites, further amplified by influencers.

Marketers have adapted to the dynamic online landscape by transitioning from traditional to online media advertising. This shift has led to increased investment in social media tools, notably influenced marketing. Cong and Zheng (2017) highlight the potential of advertisements incorporating influencer marketing to foster positive parasocial relationships, resulting in favorable emotional responses from customers. Influencer marketing, far from a fleeting trend, has become an integral part of the marketing mix, diverging significantly from traditional advertising or celebrity endorsements (Xiao et al., 2018). This divergence necessitates a unique communication strategy and careful influencer selection for effective promotion, emphasizing the need for a likable and credible influencer with substantial opinion leadership (Conick, 2018).

Influencer marketing differs from other forms of advertising in that it requires creatives to establish a genuine, authentic connection. Effective marketing relies on human connections, which are vital for consumer engagement. Although it may present some challenges, it is also necessary to grant influencers freedom to preserve their creative autonomy for the sake of effectiveness and authenticity. According to Sammis et al. (2016), influencer marketing is a strategy designed to create parasocial interactions or emotional connections between the influencer and their followers, which influences purchase decisions. Due to the reduced recall of consumers by traditional ads and the increased use of ad blockers, marketers have shifted toward emotional appeal through storytelling (Talaverna, 2015; Dogtiev, 2016). Brands collaborate with influencers to create strong and emotional bonds with their target audiences. With the use of an influencer—the presumed everyday person—emotional connections can be developed based on shared values through YouTube, Instagram, and TikTok. This approach further fosters an emotional connection with the brands for which the influencers serve as carriers, marking a significant shift in the marketplace toward more personal and engaging communication strategies (Hashoff, 2017).

Influencer marketing is a new approach to content marketing in Nepal. The surge of digital agencies in Nepal, working at the intersection of brand and influencer collaborations, shows that it is on its way. This market is expected to experience high growth in the coming years; for instance, the global influencer marketing industry is predicted to reach a market size of $25 billion by 2025, according to the Statista Research Department (2023). Increasingly in Nepal, consumers will look to fellow consumers and influencers for suggestions before making any type of purchasing decision (Berger & Keller, 2016). The reason behind the rapid growth in the popularity of influencer marketing in Nepal can be explained by the fact that influencer marketing offers higher returns on investment, greater trustworthiness in its content, improved engagement, and nearly instantaneous consumer reactions (Wong, 2014). Many agencies based in Nepal reported a high number of users on Facebook, especially on Instagram, which has proven to be very effective for the reasons stated above: its more user-friendly features and high engagement rates. This goes on to demonstrate the significant impact influencer marketing has had within Nepal's digital environment, shifting toward channels that foster more authentic and impactful communications.

Through extensive research and clarification, Influencer Marketing serves as a valuable resource for marketers and researchers. Within the industry, opinions on the adoption and processes of influence endorsement vary. Barriers to implementing influencer endorsements exist, prompting the need for managerial solutions from an industry perspective. To comprehensively understand how institutions perceive the progress of influencer endorsement across diverse marketing platforms, conducting thorough research is essential. Hence, this research aims to investigate the perspectives of consumers in Kathmandu Valley regarding influence endorsement. Parasocial Interaction Theory (PSI) is employed to examine the relationship between influencer attributes such as Language Similarity (LS), Interaction Frequency (IF), Self-Disclosure (SD), Interest Similarity (IS), and brand loyalty (BL), with Credibility (C) as a mediating factor in the interaction of Parasocial Interaction (PSI) (Horton & Wohl, 1956; Rubin, 2009).

Section 2 presents the research methods, including theoretical assumptions, sampling procedures, data collection tools, and the use of smartPLS for analysis. Section 3 presents descriptive and structural equation modelling results that identify factors influencing customers' loyalty towards the brand and its credibility. Section 4 discusses these results within the context of Nepal and compares them to theoretical expectations. Finally, the conclusion section summarizes the findings and highlights potential implications for policymakers and marketers.

2. Literature Review

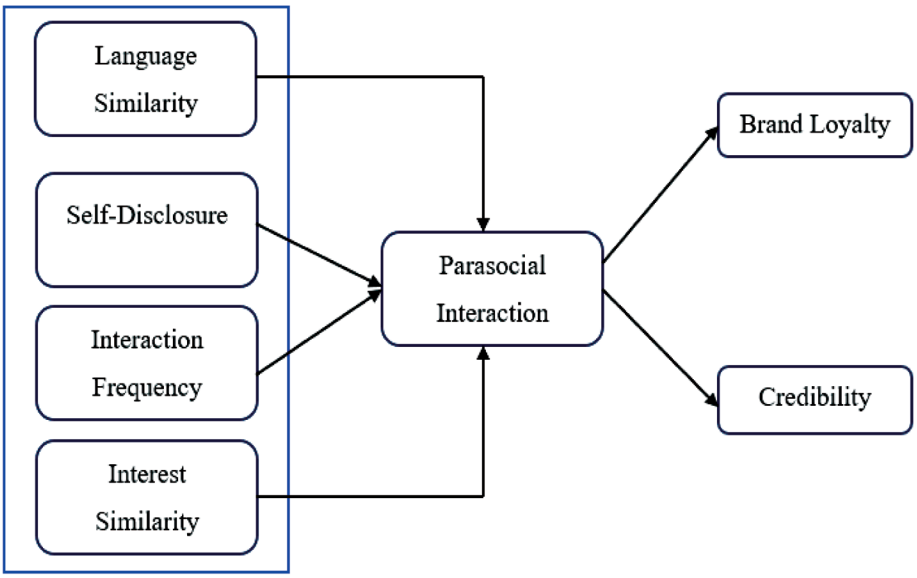
Theoretical Background and Research Model

The study primarily focuses on Parasocial Interaction Theory (Horton & Richard Wohl, 1956) and Source Credibility Theory (Ohanian, 1990). Parasocial Interaction Theory is central to the study as it explores how perceived personal connections between consumers and influencers can enhance brand loyalty and credibility. This theory examines how these personal bonds foster positive consumer attitudes towards the brand. Source Credibility Theory is also relevant, as it assesses how the perceived trustworthiness and expertise of influencers impact the effectiveness of their endorsements on consumer loyalty and brand credibility. By applying these theories, the study investigates how influencers' personal connections and credibility affect consumer perceptions and behaviors towards brands.

In the study, Parasocial Interaction Theory is deemed most relevant for understanding the impact of influencer marketing on brand loyalty and credibility, as it explains how perceived personal connections with influencers can positively influence consumer attitudes toward a brand. Social Identity Theory examines how consumers' group affiliations influence their perceptions of brands, while Interactivity Theory investigates how media technologies enhance user engagement with brands. Source Credibility Theory examines how the perceived trustworthiness of influencers impacts the effectiveness of their endorsements, while Gratification-Opportunities Theory explores how influencers fulfill consumers' needs for satisfaction through media interactions. Overall, these theories collectively help explain how influencer marketing creates meaningful connections that enhance brand loyalty and credibility.

In this study, a conceptual framework has been developed to illustrate how Parasocial Interaction Theory is applied to understand influencer marketing. The framework focuses on how perceived personal connections between consumers and influencers impact brand loyalty and credibility. Specifically, it examines how these parasocial relationships—where consumers feel a personal bond with influencers—can enhance consumer attitudes towards the brand and foster greater loyalty. For a visual representation of this relationship, please refer to Figure 1. It consists of four exogenous variables, which are derived from the PSI (Parasocial Interaction Model), namely Language Similarity, Self-Disclosure, Interaction Frequency, and Interest Similarity. Brand loyalty and credibility are explained as endogenous variables, whereas parasocial interaction acts as the mediator between the exogenous variable and the endogenous variable. The framework proposes that these independent variables influence brand loyalty and credibility.

Figure 1: Influencer Marketing Conceptual Framework



Source: Adopted and modified from (J. Kim & Kim, 2022)

Hypotheses Formulation

Language Similarity and Parasocial Interaction: In this context, "language similarity" refers to the alignment between the communication styles, language use, and messaging strategies of influencers and their followers. It encompasses not only the literal language (such as the same spoken or written language) but also includes stylistic elements like tone, slang, and the overall way of expression that resonates with the audience. The underlying assumption is that when influencers use language that mirrors the communication preferences or cultural nuances of their followers, it enhances the sense of connection and relatability, thereby fostering stronger parasocial interactions.

H1: Language Similarity has a significant impact on parasocial interaction.

The hypothesis, **H1**, suggests that a greater similarity in language between an influencer and their followers leads to more profound and meaningful parasocial relationships. This is grounded in the notion that perceived alignment in communication styles and messages fosters a sense of shared understanding and closeness, which are key elements of parasocial interactions. The justification for this hypothesis is supported by research indicating that individuals tend to engage more deeply with content and figures they perceive as like themselves, thereby reinforcing their connection and interaction with those figures (J. Kim & Kim, 2022; Yuan et al., 2021).

Self-Disclosure and Parasocial Interaction: Self-disclosure refers to the intentional sharing of personal information by influencers or users on social media, including details about their interests, backgrounds, goals, beliefs, and thoughts. This disclosure is designed to foster a sense of intimacy and personal connection with the audience**.** Hypothesis 2 is supported by the idea that sharing personal information on social media fosters intimacy between influencers and their audience, thereby enhancing parasocial connections. By revealing personal details such as interests and beliefs, influencers create a sense of closeness and engagement, which increases the audience's expectation of reciprocity and deepens the parasocial relationship. This increased intimacy and perceived social presence contribute to stronger and more meaningful parasocial interactions (Ljepava et al., 2013; Horton & Wohl, 1956; Kim & Song, 2016).

H2: Self-disclosure has a significant impact on parasocial interaction.

Interaction Frequency and Parasocial Interaction: Interaction frequency refers to the regularity and frequency with which users engage with influencers or other users on social media platforms. This includes the number of interactions, such as comments, likes, messages, or posts exchanged between the user and the influencer. Situational characteristics, including the frequency of interaction, exhibit a positive correlation with self-congruity and friendship, as indicated by Su et al. (2015). Within the realm of social media platforms, an elevated interaction frequency provides users with increased opportunities to share personal information with others (Ljepava et al., 2013). Consequently, friendships among social media users may evolve through consistent interactions and gradual self-disclosure. Hence, individuals on social media are inclined to engage with their preferred influencers in the online environment to cultivate perceived closeness or friendships, resulting in users experiencing a reduction in emotional stress related to work and/or life (J. Kim & Kim, 2022).

H3: Interaction Frequency has a significant impact on parasocial interaction.

Interest Similarity and Parasocial Interaction: Interest similarity refers to the degree to which the interests, beliefs, and values of social media influencers align with those of their followers. When influencers and their audience share common interests, hobbies, or values, it creates a stronger basis for connection and engagement. Social media users are inclined to engage in more frequent and effective communication when they share common interests in specific topics. This applies both to interactions among users and between a user and a social media influencer (M. Kim & Kim, 2020). Social media influencers who openly share their personal interests, thoughts, and beliefs with users have the potential to cultivate a sense of intimacy and emotional dependence. By sharing aspects of their personal lives, these influencers establish a connection that goes beyond a mere online presence, fostering a deeper bond with their audience (Ljepava et al, 2013). The interest similarity has a positive impact on parasocial interaction. Therefore, the following hypothesis is proposed.

H4: Interest Similarity has a significant impact on parasocial interaction.

Parasocial Interaction and Brand Loyalty: In the realm of social media, influencers who openly share their personal interests, thoughts, and beliefs with users have the potential to cultivate a sense of intimacy and emotional dependence. This transparency in sharing not only enhances the perceived authenticity of the influencer but also contributes to the development of emotional reliance among users who find resonance with the influencer's values and perspectives (Baloglu et al., 2019). The happiness and positive emotional states virtually generated by social media users have the potential to influence their well-being in the physical world. Consequently, individuals engaging in social media are inclined to buy products or services endorsed by their preferred influencers, aiming to augment the psychological well-being established through virtual interactions with these influencers (Staniewski & Awruk, 2022). Thus, the following research hypothesis is formulated:

H5: Parasocial Interaction has a positive impact on brand loyalty.

Parasocial Interaction and Credibility: In their 2016 study, Lee and Watkins found that individuals were more inclined to form parasocial connections with influencers who were perceived as relatively similar to and shared commonalities with the viewers. Sokolova and Kefi (2020) proposed that when consumers assess a social media influencer in the context of parasocial interaction (PSI), those who follow the influencer tend to mentally and emotionally adopt the influencer's messages. This phenomenon, in turn, results in a heightened intention to make purchases and make credible. To verify the theoretical propositions regarding the impact of parasocial interaction (PSI) on consumers' assessment of a brand, particularly when it is endorsed by an influencer, and to examine its correlation with their intention to purchase the brand, the study evaluates the following hypotheses.

H6: Parasocial Interaction has a positive impact on brand loyalty.

Mediation of Parasocial Interaction between Influencer Marketing Attributes and Brand Loyalty and Credibility

Based on the above-mentioned hypothesis, the formulated hypothesis for the mediation analysis could be explained as:

H7: The relationship between language similarity and brand loyalty is mediated by PSI.
H8: The relationship between language similarity and credibility is mediated by PSI.
H9: The relationship between self-disclosure and brand loyalty is mediated by PSI.
H10: The relationship between self-disclosure and credibility is mediated by PSI.
H11: The relationship between interaction frequency and brand loyalty is mediated by PSI.
H12: The relationship between interaction frequency and credibility is mediated by PSI.
H13: The relationship between interest similarity and brand loyalty is mediated by PSI.
H14: The relationship between interest similarity and credibility is mediated by PSI.

Variables and Definitions

This section discusses the variables used in the analysis as well as the explanations, which are shown in Table 1:

Table 1: Variable Table

Construct	Variable Notation	Observed Variable	Explanation
Language Similarity (J. Kim & Kim, 2022)	LS_2	Connection	Connection with Influencer
	LS_3	Impact	Impact of Influencer
	LS_4	Adaptation	Positive associations with brands
Self-Disclosure (J. Kim & Kim, 2022)	SD_1	Trust	Trust towards the brand
	SD_2	Transparency	Transparent communication with brand and audience
	SD_3	Emotion	Emotional connection with brand
	SD_4	Disclosure	Showing a tone of joy and good moments
	SD_5	Clarity	Clarity of brand communication
Interest Similarity (J. Kim & Kim, 2022)	IS_1	Interest	Get the attention of consumers
	IS_2	Alignment	Excitement of messages and ads
	IS_3	Content	Like the content of IMs
	IS_4	Entertainment	It's fun to watch the posts from IMs.
	IS_5	Interest	Shares common Interest
Interaction Frequency (J. Kim & Kim, 2022)	IF_1	Frequency	Interact with IMS on SNS.
	IF_2	Viewing	View online posts of IMs
	IF_3	Loyalty	Affect loyalty to the brands
	IF_4	Credibility	Influence Perception of credibility towards brands
	IF_5	Sharing	Promoting IMs post on SNS
Parasocial Interaction (J. Kim & Kim, 2022)	PSI_1	Connection	Personal connection towards brands and IMs.
	PSI_2	Satisfaction	Satisfy the needs
	PSI_3	Social	Improve social connection
	PSI_5	Friendship	One-sided connection with IMs.

Brand Loyalty (J. Kim & Kim, 2022)	BL_3	Advocacy	Advocacy of the brand
	BL_4	Positivity	Positive message about the brand
	BL_5	Future	Future connection with the brand
Credibility (Saima & Khan, 2020)	C_1	Trust	Trust in brands utilizing IMs.
	C_2	Credibility	Products are credible
	C_4	Collaboration	Trust brands collaborating with genuine influencers
	C_5	Confidence	Confident about the quality of the product

Note: The items LS1, LS5 from construct 1, PSI4 from construct 5, BL1, BL2 from construct 6, and C3 from construct 7 were dropped after performing measurement modeling, as they had HTMT values higher than the threshold (i.e., 0.90).

3. Research Methods

Study Area and Population

The primary audience for this study consists of consumers from the Kathmandu Valley, which encompasses Kathmandu, Bhaktapur, and Lalitpur. This region encompasses a diverse population in terms of ethnicity, age, gender, and income levels, ensuring that the study's findings are representative of a broad consumer base. Kathmandu Valley was chosen as the research area because, as the capital metropolis of Nepal, it provides a high level of awareness among the populace. Conducting the study in Kathmandu provides more accurate and relevant insights into online marketing, given the region's significant exposure. Additionally, selecting Kathmandu Valley facilitates more convenient and cost-effective data collection.

Kathmandu, home to approximately one-twelfth of Nepal's population, serves as the primary gateway for tourism and has a population of 3.1 million as of 2023. Choosing Kathmandu as the study location enhances the reliability of the research due to the city's diverse demographic makeup. This includes individuals from diverse ethnicities, ages, genders, and socioeconomic backgrounds, providing a comprehensive and representative sample that minimizes potential biases in the study results. In the current context, various online advertising and marketing platforms serve clients within the Kathmandu Valley. The focus on this area aims to gather insights into how influencer marketing influences brand loyalty and customer credibility towards products and services.

Sampling Technique and Sample Size Determination

The goal of sampling is to obtain a sample that is representative of the population of interest and yields accurate and reliable results. The number of respondents for the impact of influencer marketing on brand loyalty and credibility will be drawn from the Kathmandu Valley, as the sample will be non-probability. Since the number of consumers influenced by influencer marketing is not fixed, non-probability sampling will be suitable for this study.

Cochran's framework for determining sample size offers a systematic approach to calculating the required sample size for statistical reliability. Using the formula n = z^2pq/e^2 (Burmeister & Aitken, 2012), with a 5% significance level, a prevalence (p) of 50%, and a 5% allowable error, the required sample size (n0) is 384.16. Adjusting for a 5% non-response rate, the final sample size needed is approximately 403.37. During data collection, however, a total of 429 responses were obtained, surpassing the anticipated sample size and enhancing the robustness of the study.

Research Instrument, Data Collection, and Analysis

For this study, a structured questionnaire is employed, offering some control or direction for the responses. Referred to as a closed structure, these questions typically require brief responses, asking respondents

to provide yes or no answers within the given options. The data collection process utilizes the KOBO toolbox, where the questionnaire is inserted, and pilot testing is conducted on a small sample to assess consistency and accuracy. A total of 429 respondents participated in the data collection process.

A pilot test involving 15 participants was conducted to gather feedback on the questionnaire's fit. Following the pilot test, we made specific modifications to the questionnaire based on the feedback received. The use of the KOBO toolbox facilitated data collection through both online and offline mediums, providing cost savings as data could be input through mobile devices.

Data analysis employs both descriptive and inferential methods, incorporating the utilization of structural equation modeling (SEM). Various software tools, such as KOBO Toolbox, Microsoft Excel, and Smart PLS, are employed for data entry and analysis. Specifically, KOBO Toolbox and Microsoft Excel serve as platforms for data entry. The outcomes of the analysis are visually presented through graphical representations. The descriptive analysis segment of this study assesses socio-demographic factors, behavioral indices, the challenges of influencer marketing, and managerial solutions.

4. Results

Socio-demographic Analysis

The Socio-Demographic variables of the surveyed are included in this section. Data were collected from 429 respondents. In this part, the gender, marital status, age, education level, income level, and location of respondents are presented in a tabulated form, which helps to clearly interpret them.

Table 2: Socio-demographic Variables

Title	Variable	Number	Percentage (%)
Gender	Male	234	54.55
	Female	195	45.45
Marital Status	Married	182	42.42
	Unmarried	247	57.58
Age	18-24	170	39.6
	25-34	204	47.55
	35 - 44	54	12.59
	45 - 54	1	0.23
Education Level	SLC/SEE	2	0.47
	Intermediate / +2	50	11.66
	Bachelors	212	49.42
	Master's and above	165	38.46
Income Level	Below 20,000	8	1.86
	20,000-50,000	107	24.94
	50,000- 100,000	202	47.09
	100,000 above	50	11.66
Location	Lalitpur	217	50.58
	Bhaktapur	118	27.51
	Kathmandu	94	21.91

The demographic data from the 429 respondents provides a comprehensive overview of the study's participant profile. With a near-equal representation of males (54.55%) and females (45.45%), the gender distribution is well-balanced. The marital status data indicate that most respondents are unmarried (57.58%), with married individuals accounting for 42.42%. Age-wise, the study is dominated by the youth, particularly those in the 25-34 age range (47.55%), followed by the 18-24 age range (39.63%). This indicates a strong representation of young adults. The educational background of respondents reveals that most have attained higher education, with 38.46% holding a master's degree or higher and 49.42% holding a bachelor's degree. Most respondents are from the Lalitpur District (50.58%), followed by Bhaktapur (27.51%) and Kathmandu (21.91%). In terms of income, nearly half of the respondents (47.09%) earn between Rs. 50,000 and Rs. 100,000 per month, suggesting a relatively affluent participant base. In comparison, a smaller percentage earns above Rs. 100,000 (11.66%) or below Rs. 20,000 (1.86%). This demographic data indicates that the study primarily captures insights from educated, relatively young, and economically stable individuals who predominantly reside in the Lalitpur District.

General Understanding of Influencer Marketing

The broad knowledge of influencer marketing among people in the Kathmandu Valley is mostly covered in this part. Respondents were asked if they had ever heard of influencer marketing and what they understood by the term "influencer marketing." The findings indicate that 95.87% of respondents have heard about emotional advertising. When asked about their understanding on influencer marketing, most of the respondents i.e., 69.9% of understood influencer marketing as Online personalities who can impact consumer choices through their recommendations, 57.04% understood it as Individuals with a significant online presence have the power to shape the perspectives and behaviors of others, 40.53% understood it as Digital marketers who use their personal brand to connect with audiences, 36.17% understood it as Creators who engage with their followers through content, such as videos, posts, and stories. And 6% understood it as Individuals who collaborate with brands to promote products or services.

This information was gathered through a structured survey administered to residents of the Kathmandu Valley. The survey included questions about respondents' awareness of influencer marketing and their understanding of the concept. The responses were collected, quantified, and analyzed to produce the statistical findings presented. The high percentage of respondents familiar with emotional advertising and the varied interpretations of influencer marketing were derived directly from the survey data.

Challenges and Managerial Solutions Related to Influencer Marketing

The section discusses challenges associated with Influencer Marketing, revealing that 72.45% of respondents faced difficulties discerning authentic influencer-brand relationships. Major challenges identified for creating a desirable impact on brand loyalty and credibility include identifying the right influencers (39%), concerns about authenticity and trust (16%), maintaining brand reputation (19%), ensuring regulatory compliance (14%), and ensuring content relevance (12%). Despite the challenges, 82% of respondents believe they are manageable, while 18% perceive them as unmanageable. Regarding management strategies to reduce the gap between influencer marketing and its impact on brand loyalty and credibility, 41% of respondents advocate for realistic advertisements highlighting actual features and benefits. Other suggested strategies include interactive advertisements (19%), creating an impression on consumers' minds (17%), establishing a connection with the target audience (13%), and implementing more creative advertisements (10%). This insight provides valuable perspectives on addressing challenges and enhancing the effectiveness of influencer marketing strategies.

The information was obtained through a survey conducted with respondents who have experience with influencer marketing. The survey included questions related to the challenges faced in discerning authentic influencer-brand relationships, specific difficulties impacting brand loyalty and credibility, and strategies to manage these challenges. The data was then analyzed to identify key trends and insights, which were summarized in the provided section.

Inferential Analysis

In this study, inferential analysis is used to draw broader conclusions from sample data by examining relationships between variables and making forecasts (Yellapu, 2019). It encompasses descriptive analysis to summarize data features, measurement models to validate and assess reliability, path analysis to visualize relationships between influencer attributes and brand loyalty, and mediation analysis to investigate whether credibility mediates the influence of Parasocial Interaction on brand loyalty.

Common Method Bias: Common method bias was examined by evaluating the results of the full collinearity test. In this approach, every variable will be regressed against a single common variable, and if the VIF value is less than 3.3 (Kock & Lynn, 2012), there won't be a common method bias problem. In this study, all the VIF values were under 3.3. This suggests that there is no common method bias in this study.

Measurement Model Assessment: Convergent validity and discriminant validity are two requirements that must be satisfied by the measurement model (Ramayah et al, 2018). The evaluation of the measurement model, or the outer model, is the first stage in a PLS analysis. The measuring model outlines the guidelines for corresponding with latent and measurable variables (Hair et al., 2010). Additionally, researchers have the flexibility to employ any number of variables for a single independent or dependent construct. Validity and reliability are the two primary factors considered in PLS analysis while evaluating the measurement model, also known as the outer model (Janadari et al., 2016).

For the internal consistency analysis, Cronbach's Alpha and Composite Reliability (CR) is evaluated. Cronbach's Alpha and Composite Reliability (CR) are assessed as indicators of shared variance among observed variables, with a recommended threshold of 0.7 or higher for in general, and 0.6 or higher in exploratory research (Kwong-Kay, 2013). Convergent validity is demonstrated when elements of a measure converge to represent the underlying construct. Factor loadings and Average Variance Extracted (AVE) are analyzed for this purpose. Factor loading indicates how accurately an item represents the underlying construct, and while a loading of 0.70 or higher is recommended, weaker loadings are common in social science studies. AVE, calculated as the average of squared loadings, should ideally be above 0.5 (Hair et al., 2019) to ensure that the variance explained by the factor structure outweighs measurement error. In the study provided, AVE values exceeding 0.5 are reported in Table 8, indicating satisfactory convergent validity.

Table 3: Internal Consistency, Reliability, and Convergent Validity

Construct	Items	Factor Loading	AVE	CA	CR	VIF
Language Similarity	LS2	0.679	0.572	0.623	0.629	1.583
	LS3	0.75				
	LS5	0.832				
Self-Disclosure	SD1	0.726	0.543	0.787	0.79	1.611
	SD2	0.82				
	SD3	0.757				
	SD4	0.705				
	SD5	0.668				
Interaction Frequency	IF1	0.805	0.602	0.832	0.839	1.722
	IF2	0.648				
	IF3	0.799				
	IF4	0.816				
	IF5	0.796				

Interest Similarity	IS1	0.833	0.509	0.76	0.793	1.317
	IS2	0.77				
	IS3	0.652				
	IS4	0.615				
	IS5	0.673				
Parasocial Interaction	PS1	0.757	0.609	0.785	0.794	1.259
	PS2	0.763				
	PS3	0.66				
	PS5	0.815				
Brand Loyalty	BL3	0.795	0.691	0.777	0.787	1.708
	BL4	0.861				
	BL5	0.837				
Credibility	C1	0.81	0.639	0.811	0.814	2.032
	C2	0.775				
	C4	0.824				
	C5	0.787				

In assessing discriminant validity, cross-loading, the Fornell-Larcker criterion, and the HTMT ratio are commonly employed. Cross-loading ensures that the factor loading indicators on a designated construct surpass any loadings on other constructs (Ab Hamid et al., 2017). Similarly, the Fornell and Larcker criterion involves verifying whether the squared correlation between two constructs exceeds the average variance extracted (AVE) of each construct (Henseler et al., 2015). HTMT values below 0.9 are widely accepted (Franke and Sarstedt, 2018). All the HTMT values for the constructs in our study fall below 0.9, thus meeting the criteria for discriminant validity and indicating the validity of the data.

Table 4: HTMT Results & F-L Criterion

		bl	c	if	is	ls	psi	sd
HTMT	**bl**							
	c	0.811						
	if	0.823	0.851					
	is	0.85	0.72	0.737				
	ls	0.869	0.714	0.699	0.899			
	psi	0.87	0.884	0.835	0.688	0.831		
	Sd	0.731	0.634	0.712	0.897	0.853	0.653	
		bl	**c**	**if**	**is**	**ls**	**psi**	**sd**
F&L	**bl**	**0.831**						
	c	0.655	**0.799**					
	if	0.664	0.704	**0.776**				
	is	0.678	0.597	0.608	**0.713**			
	ls	0.619	0.508	0.508	0.619	**0.757**		
	psi	0.693	0.713	0.677	0.548	0.586	**0.78**	
	sd	0.578	0.511	0.579	0.688	0.597	0.512	**0.737**

Source: Field Study

The SRMR (Standardized Root Mean Square Residual) is a metric used to evaluate the fit of a statistical model. An SRMR value of less than 0.1 is considered acceptable. In this case, the model's SRMR is 0.087, indicating a strong fit to the data based on Cangur and Ercan's criteria (2015).

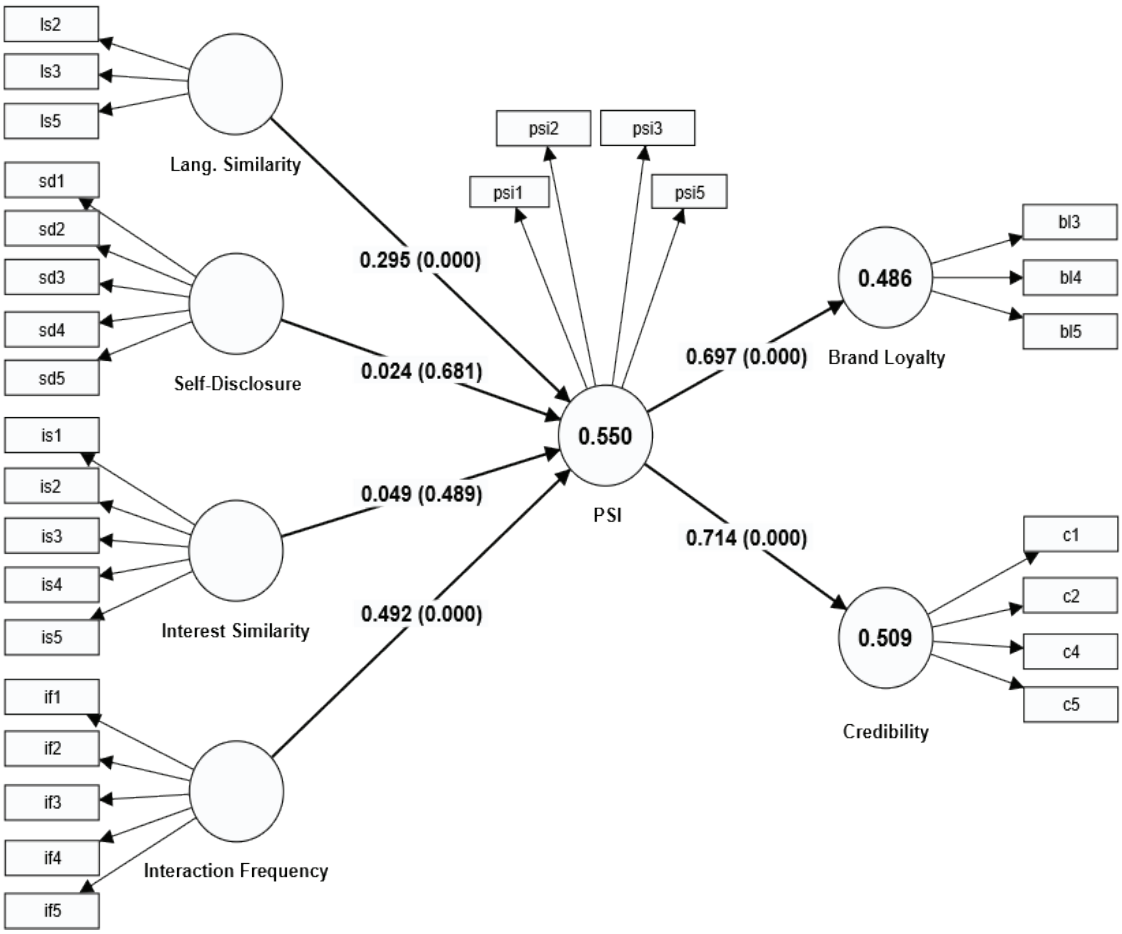
Structural Model Assessment

The structural model helps determine the relationship between the latent variables of the study, which is assessed through hypothesis testing, considering the significance and relevance of the path coefficient and confidence interval criteria.

This study presents 14 hypotheses, comprising six direct relationships and eight indirect relationships. Path analysis is conducted using SmartPLS 4 software, and the calculations and interpretations are based on the results obtained from SmartPLS 4. The observed variables were connected to other variables, illustrating the conceptual model's hypothesized linkage. The resulting path model and the findings of the path analysis are typically shown together as a path diagram.

The last step of the analysis involved performing bootstrapping in SmartPLS 4.0 to determine the path coefficients and their associated t-values for both the direct and mediating relationships. The resulting path model and path analysis results are displayed together in the form of a path diagram.

Figure 2: Path Analysis



In this model, the beta coefficient between LS and PSI is 0.295, indicating that for a unit change in LS, there is a 0.295-unit change in PSI in the same direction. This suggests a positive relationship, indicating

that as language similarity increases, parasocial interaction is also likely to increase. The coefficient for SD and PSI is 0.024, implying that for a unit change in SD, there is a 0.024-unit change in PSI in the same direction. Self-disclosure has a limited impact on parasocial interaction. The coefficient for IS and PSI is 0.049, indicating that a unit change in IS corresponds to a 0.049-unit change in PSI in the same direction. This suggests a positive relationship, indicating that as interest similarity increases, parasocial interaction is likely to increase. The coefficient for IF and PSI is 0.492, indicating that for a unit change in IF, there is a 0.492-unit change in PSI in the same direction. Interaction frequency has a significant impact on parasocial interaction.

On the other hand, the coefficient for PSI and BL is 0.486, indicating that for a unit change in PSI, there is a 0.486-unit change in BL in the same direction. Parasocial interaction appears to have a positive influence on brand loyalty. Conversely, for PSI and C, the coefficient is 0.509, indicating that a unit change in PSI corresponds to a 0.509-unit change in credibility in the same direction. Parasocial interaction seems to have a positive impact on credibility.

The R^2 values provide insights into the explanatory power of the independent variables in the model. With an R^2 of 0.550 for Parasocial Interaction (PSI), it is revealed that around 55% of the variability in PSI can be accounted for by the independent variables—Language Similarity (LS), Self-Disclosure (SD), Interest Similarity (IS), and Interaction Frequency (IF). Moving on to Brand Loyalty (BL), its R^2 value of 0.486 signifies that approximately 48.6% of the variability in BL is elucidated by the independent variable PSI, emphasizing the notable role of Parasocial Interaction in explaining variations in brand loyalty. Similarly, the R^2 of 0.509 for Credibility (C) underscores that 50.9% of the variability in credibility is clarified by PSI, emphasizing the substantial impact of Parasocial Interaction on perceived credibility in the model.

Table 5: Hypothesis Test

Hypothesis		B coeff	SD	t-values	P values	CI		Decision
						2.5%	97.5%	
H_1	ls ≥ psi	0.295	0.047	6.268	0.000	0.201	0.384	Supported
H_2	sd ≥ psi	0.024	0.058	0.412	0.681	-0.087	0.139	Not Supported
H_3	if ≥ psi	0.492	0.044	11.146	0.000	0.405	0.576	Supported
H_4	is ≥ psi	0.049	0.072	0.691	0.489	-0.095	0.186	Not Supported
H_5	psi ≥ bl	0.697	0.026	27.287	0.000	0.641	0.742	Supported
H_6	psi≥ c	0.714	0.027	26.751	0.000	0.655	0.761	Supported

Note: We use a 95% confidence interval with a bootstrapping of 10,000 sub-samples

LS = Language Similarity, SD = Self-Disclosure, IF = Interaction Frequency, Is = Interest Similarity, PSI = Parasocial Interaction, BL= Brand Loyalty, C = Credibility, CI= Confidence Interval

For this, the level of significance is 5%. Table 5 shows that four hypotheses (H1, H3, H5, and H6) are significant, indicating that the p-value is less than 0.05 and the β-coefficient falls within the confidence interval. It shows the meaningful relationship between dependent and independent variables. The remaining p-value is more than 0.05, and the β-coefficient doesn't lie within the confidence interval, indicating an insignificant relationship between the dependent and independent variables.

The mediation hypothesis is evaluated by bootstrapping the indirect effect. The proposed mediations are checked and analyzed with the T-values after analysis in SmartPLS of the direct and indirect path coefficients. The results also provide data on the specific indirect effect to evaluate the mediating effect of innovation in the relationship between the dependent and independent variables.

Table 6: Mediating Analysis

Hypothesis		B coeff	SD	t-values	P values	CI		Decision
						2.5%	97.5%	
H_7	ls ≥ psi≥bl	0.206	0.034	6.024	0.000	0.138	0.272	Supported
H_8	ls ≥ psi≥c	0.211	0.034	6.18	0.000	0.143	0.277	Supported
H_9	sd ≥ psi≥bl	0.017	0.041	0.412	0.682	-0.062	0.096	Not Supported
H_{10}	sd ≥ psi≥c	0.017	0.041	0.414	0.679	-0.065	0.096	Not Supported
H_{11}	if≥ psi≥bl	0.343	0.035	9.887	0.000	0.275	0.411	Supported
H_{12}	if ≥ psi≥c	0.351	0.036	9.691	0.000	0.281	0.422	Supported
H_{13}	is ≥ psi≥bl	0.034	0.05	0.686	0.493	-0.066	0.131	Not Supported
H_{14}	is ≥ psi≥c	0.035	0.052	0.685	0.493	-0.067	0.135	Not Supported

Table 6 reveals that there is a mediating effect of parasocial interaction in the relationship between language similarity and interaction frequency, and brand loyalty and credibility, as indicated by lower P-values below the significance level of 0.05. In contrast, there are no significant mediation effects of parasocial interaction in the relationship between self-disclosure and interest similarity, and brand loyalty and credibility, due to higher P-values above the significance level of 0.05 (du Prel et al., 2009).

5. Discussion

This study was conducted to determine how the general public in the Kathmandu Valley understands influencer marketing, and furthermore, it assesses how influencer marketing is associated with parasocial interaction in creating brand loyalty and credibility among consumers. In the study, six direct hypotheses were formed. Out of the six hypotheses, four were supported. Similarly, eight mediating hypotheses were formulated, of which four were accepted.

Supported hypothesis 1 indicated that the language similarity between the influencer and the consumer has a direct relation with the parasocial interaction with the consumer. A similar study (Kim & Kim, 2022) revealed a significant impact on users' perceptions of social media influencers, based on their interactions with the influencers, particularly in terms of language similarity during communication. A study by Kim & Kim (2020) also demonstrated that fans' perception of language similarity with their favorite celebrity on social media is associated with increased levels of PSI.

Hypothesis 3 suggests that interaction frequency has a significant impact on the parasocial interaction of the consumer. Other research by Labrecque (2014) also revealed that the frequency of interaction between fans and their favorite celebrity on social networking pages positively influences parasocial interaction. This includes the fact that the more influencers interact with fans or consumers, the more likely they are to form a parasocial relationship with the consumer. Hence, it could result in increased brand credibility and loyalty.

Hypothesis 2 suggests that self-disclosure does not have a significant impact on the PSI of the consumer. Like Hypothesis 2, Hypothesis 4 also suggests that there is no meaningful relationship between interest similarity and parasocial interaction. However, some studies (Kim & Kim, 2020; 2022) have observed that self-disclosure and interest similarity have a positive effect on the formation of parasocial relationships. The result has rejected the hypothesis. The contradictory results on self-disclosure and interest in this research could be due to cultural differences. Cultural variations can significantly influence communication patterns, social norms, and interpersonal relationships, thereby affecting the dynamics of parasocial interactions.

Hypothesis 5 indicates that parasocial interactions have a significant relation with brand loyalty, and

hence, properly linking the consumer with the influencer increases brand loyalty. Lin et al. (2021) observed that PShas a positive influence on post-exposure brand attitude and purchase intention, and thus PSI has a significant relationship with brand loyalty. Hypothesis 6 suggests that parasocial interaction is perceived as having significant credibility. Other research also suggests that increased parasocial interaction can enhance the credibility of influencers, thereby fostering positive attitudes toward the brand and influencing purchase intentions (Hwang & Zhang, 2018; Kim et al., 2015). A different study revealed that Perceived Social Influence (PSI) through social media influencers has the potential to enhance the perceived credibility of the influencer as a brand representative. This, in turn, contributes to an expanded value in social media marketing through heightened brand credibility and increased purchasing intentions among consumers (Chung & Cho, 2017).

6. Conclusion

In Nepal, the increasing prominence of social media has prompted marketing agencies to shift towards influencer marketing, utilizing both micro-influencers and macro-influencers to influence consumer purchase intentions. Although influencer marketing is a novel approach in Nepal, there is a notable lack of comprehensive research on the subject. This study in the Kathmandu Valley aims to fill this gap by investigating factors associated with influencers, with a focus on loyalty and credibility. Through user surveys, the study examines perceptions of influencer characteristics, including language, self-disclosure, interaction, and interest, to assess their significance in shaping purchase intentions. The research aims to understand public perceptions of influencer marketing, the attributes that affect brand loyalty, the obstacles to achieving the desired effects on consumer purchasing patterns, and potential managerial solutions.

People in Kathmandu perceive influencer marketing as a form of advertising that taps into parasocial interaction to enhance brand recognition, loyalty, and credibility. Attributes such as language similarity and interaction frequency play a crucial role in forming a parasocial relationship with consumers. This understanding can help marketers build trust, shape perceptions, and influence buying behavior. Notably, consumers tend to trust products endorsed by their favorite influencers, particularly in matters of safety and security. Challenges such as the gap between promises and delivery, as well as a lack of creativity, can hinder the effectiveness of marketing. However, realistic advertisements and creative approaches can mitigate these challenges, enabling advertisers to have a more substantial impact on consumers' purchasing decisions.

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