

Customer Perception Towards Eco-Loans and Their Impact on Customer Satisfaction

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ABSTRACT

This research article examines the relationship between customer perception towards eco-loans and customer satisfaction. It proposes a conceptual framework that considers perceived economic benefits, environmental benefits, accessibility, service quality, trust, and awareness as determinants of customer perception. Customer satisfaction is considered the outcome variable. The article also presents a review of relevant literature, research objectives, hypotheses, a proposed methodology, and implications for banking institutions. The proposed framework can be empirically tested among customers of public and private sector banks.

Keywords: Eco-loans, green banking, customer perception, customer satisfaction, sustainable finance, green lending, environmental awareness.

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1. Introduction

The banking sector plays a significant role in economic development by mobilizing savings and providing credit to individuals, businesses, and industries. In recent years, increasing environmental concerns have encouraged financial institutions to integrate sustainability into their lending decisions and banking operations. Green banking is an approach through which banks support environmentally responsible activities while reducing the environmental impact of their own operations.

One important aspect of green banking is the provision of eco-loans. Eco-loans are financial products intended to support investments that contribute to environmental sustainability. These loans may be used for solar panels, energy-efficient equipment, green buildings, electric vehicles, rainwater harvesting, and other environmentally beneficial projects. The specific eligibility criteria, interest rates, and loan conditions vary among financial institutions and products.

Customer perception plays a crucial role in determining the acceptance and use of eco-loans. Customers may evaluate these financial products based on their affordability, accessibility, transparency, perceived financial benefits, environmental contribution, and the quality of service provided by banks. Even when customers demonstrate environmental awareness, they may hesitate to adopt eco-loans if the application process is complicated, the interest rate is unattractive, or the expected financial benefits are unclear.

Customer satisfaction represents the extent to which a banking product or service meets or exceeds customer expectations. In the context of eco-loans, satisfaction may arise from favourable loan terms, timely approval, effective communication, transparent documentation, convenient repayment options, and confidence in the environmental purpose of the loan.

Understanding the relationship between customer perception and satisfaction can help banks design

customer-oriented sustainable lending products. Therefore, the present study focuses on customer perception towards eco-loans and its relationship with customer satisfaction in the banking sector.

2. Statement of the Problem

Customer awareness of eco-loans may be limited, and customers may not clearly understand how these loans differ from conventional loans. A lack of transparency regarding eligibility, environmental benefits, documentation, and loan approval procedures may influence their overall perception.

While existing research has examined green banking practices and customer satisfaction, the specific relationship between customer perception of eco-loans and customer satisfaction requires further investigation in a defined geographical and banking context. The present study therefore seeks to examine the factors influencing customer perception towards eco-loans and determine how these perceptions are associated with customer satisfaction.

3. Review of Literature

The following literature review covers directly relevant studies on green banking, green lending, environmental credit products, customer perception, and customer satisfaction. Studies specifically examining eco-loan customers are distinguished from broader green banking research.

3.1 Mir et al. (2025) – Green Banking Practices and Customer Satisfaction

Mir, Bhat, Al-Adwan, Farooq, Jamali, and Malik (2025) examined the relationship between green banking practices and customer satisfaction in selected public and private sector banks. The study considered digital banking, green infrastructure, green loans, and green services. The findings indicated that digital banking, green services, and green loans positively and significantly influenced customer satisfaction, whereas green infrastructure did not demonstrate a significant effect. The study provides direct support for investigating green loans as a determinant of customer satisfaction.

3.2 Ali and Kannaujiya (2025) – Customer Satisfaction Through Green Banking Initiatives

Ali and Kannaujiya (2025) investigated customer satisfaction associated with green banking initiatives

in scheduled commercial banks in eastern Uttar Pradesh. Based on 162 respondents, the study examined security and trust, ease of use and value creation, and environmental and social concerns. The reported mean scores were 4.01 for ease of use and value creation, 3.77 for security and trust, and 3.52 for environmental and social concerns. These results suggest that customers' evaluation of green banking involves both service-related and sustainability-related considerations. For eco-loan research, the findings support examining convenience, trust, and perceived value alongside environmental benefits.

3.3 Dang et al. (2023) – Customer Perception of Green Banking in Vietnam

Dang, Pham, Nguyen, and Do (2023) studied customer awareness and perception of green banking practices among 455 respondents in Vietnam. The researchers used Cronbach's alpha, exploratory factor analysis, and multivariate regression. Their findings indicated that green environmental policy, green banking performance, and green banking excellence positively influenced customer perception. However, corporate social responsibility and staff capacity did not demonstrate significant relationships with customer perception in their analysis. The study highlights the importance of communicating environmental policies and demonstrating the practical performance of green initiatives. These findings provide a foundation for examining whether transparent eco-loan policies and clearly communicated benefits influence customer satisfaction.

3.4 Sohana and Hossain (2026) – Determinants of Customer Perception Towards Green Banking

Sohana and Hossain (2026) investigated the effects of green banking initiatives, environmental awareness, and service transparency on customer perception in Bangladesh. The study distributed questionnaires to 320 customers and used 168 valid responses for correlation and regression analysis. The findings indicated that green banking initiatives, environmental awareness, and service transparency positively influenced customer perception. Although the study examines green banking rather than eco-loans exclusively, it provides a relevant basis for including environmental awareness and transparency as explanatory variables in an eco-loan satisfaction model.

3.5 Murè et al. (2025) – Environmental Credit Products

Murè, Giorgio, Antonelli, and Bittucci (2025) reviewed research on environmental credit products, particularly green loans and sustainability-linked loans. Their content analysis identified differences in the focus of existing literature and highlighted the development of environmental credit products alongside evolving regulatory frameworks. The authors also noted concerns associated with environmental claims and the need to address risks such as greenwashing. This review is relevant to customer perception research because customers may assess eco-loans according to the credibility of their environmental purpose, the transparency of lending conditions, and confidence that the product genuinely supports sustainable activities.

3.6 Di Tommaso et al. (2025) – Green Loans and Bank Risk

Di Tommaso, Pacelli, and Povia (2025) examined the relationship between green loans and bank risk using a sample of 308 green loans issued by 47 international banks. Their study investigated market responses and bank risk-related outcomes associated with green loan issuance. The authors reported a reputational benefit associated with green loan issuance, although the effects varied according to loan and country characteristics. While the study focused on banks rather than individual customers, it provides context for understanding the strategic relevance of green lending. Further research can investigate whether customers recognise such initiatives and whether their perceptions translate into greater satisfaction with their lending bank.

N Maha Lakshmi, V Shanthi, M Kavitha 2021. Service quality dimensions and customer satisfaction in Banking sector. Design Engineering. 4273-4278. In a recent (2013) discussion paper RBI has suggested several banking sector reforms that aim at, amongst other things, enlarging the scope of financial inclusion, encouraging both private and public sector banks to voluntarily consolidate operations in order to create globally competitive Indian banking entities and expanding the size and capacity of the banking system. In keeping with the spirit of these reforms RBI has given an in-principle approval to 2 new NBFC's, Infrastructure Development Finance Company (IDFC), and Bandhan Financial Services Pvt Ltd, to start banking operations in 2014.

3.7 Customers' Perception Towards Green Banking in India (2024)

An empirical study published in the International Journal for Multidisciplinary Research examined customer perceptions of green banking in Hassan district, India. The study discussed green banking awareness, paperless transactions, digital banking services, and factors influencing the use of environmentally responsible banking services. Its focus on the Indian banking environment is relevant to research on eco-loans, particularly because regional differences in financial literacy and access to banking products may influence customer awareness and adoption. However, its broad green banking focus does not establish the specific effect of eco-loan perception on customer satisfaction.

3.8 Customer Adoption of Green Banking (2026)

A study published in Management Decision examined green banking adoption among 293 users in India's Delhi National Capital Region using an extended Theory of Planned Behavior framework. The research used questionnaire data and quantitative analysis to investigate the factors influencing customer behaviour. The study provides a theoretical basis for examining the role of environmental concern, attitudes, social influences, and perceived behavioural control in the adoption of green banking services. For eco-loan research, these constructs can help explain why customers with similar financial needs may differ in their willingness to consider environmentally oriented loan products.

4. Research Gap

The literature reviewed indicates that green banking, environmental awareness, green lending, and customer satisfaction have received research attention. However, several areas remain open for further investigation. Many studies examine green banking as a broad concept rather than focusing exclusively on eco-loans. Customer confidence in the environmental claims associated with eco-loans warrants further examination.

5. Research Objectives

Primary objective

To examine customer perception towards eco-loans and its relationship with customer satisfaction.

Secondary objectives

1. To assess customers' awareness and understanding of eco-loans.
2. To identify the major factors influencing customer perception towards eco-loans.
3. To examine the relationship between perceived economic benefits and customer satisfaction.
4. To analyse the influence of perceived environmental benefits on customer satisfaction.
5. To evaluate the relationship between loan accessibility, transparency, service quality, and customer satisfaction.

6. Research Hypotheses

The following hypotheses can be tested empirically.

- H01: There is no significant relationship between perceived economic benefits of eco-loans and customer satisfaction.
- H02: There is no significant relationship between perceived environmental benefits and customer satisfaction.
- H03: There is no significant relationship between perceived accessibility of eco-loans and customer satisfaction.
- H04: There is no significant relationship between transparency of eco-loan terms and customer satisfaction.
- H05: There is no significant relationship between service quality and customer satisfaction.
- H06: There is no significant relationship between customer trust in eco-loans and customer satisfaction.

7. Research Methodology

7.1 Research design

A descriptive and analytical research design may be adopted to examine customer perception towards eco-loans and its relationship with customer satisfaction.

7.2 Study area

The study may be conducted among customers of selected public and private sector banks in Chennai, Tamil Nadu. The study area should be specified according to the researcher's access to eligible respondents.

7.3 Sources of data

Primary data: Structured questionnaires administered to eligible eco-loan customers.

Secondary data: Peer-reviewed journal articles, books, bank product documents, sustainability reports, and relevant regulatory publications.

8.0 INFLUENCE OF ECO LOAN ON CUSTOMER SATISFACTION

The Eco loan consist of six variables and it subsequent influence over Customer satisfaction is measured through linear multiple regression analysis. The results are presented below

Table 1 Model Summary for Eco loan				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788 ^a	.559	.551	1.862
a. Predictors: (Constant), EC6, EC3, EC1, EC4, EC5, EC2				

Source –Computed data

From the above table it is found that $R=.778$ R square = .559 and adjusted R square .551. This implies the Eco loan variable create 55% variance over the Customer satisfaction. The cumulative influence of six variables of Eco loan over Customer satisfaction is ascertained through the following one way analysis of variance.

variance:

Table 2 ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4943.170	6	823.862	55.247	.000 ^b
	Residual	5815.774	390	14.912		
	Total	10758.944	396			
a. Dependent Variable: Customer satisfaction						

b. Predictors: (Constant), EC6, EC3, EC1, EC4, EC5, EC2

Source –Computed data

Table 2 presents that $f=55.247$ $p=.000$ are statistically significant at 5% level. This indicates all the six variables cumulatively responsible for Customer satisfaction. The individual influence of all six variables is clearly presented in the following co-efficient table.

Table 3 Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	18.616	1.412		13.188	.000
Service Quality	2.753	.283	.416	9.733	.000
Transparency	2.492	.206	.278	3.607	.000
Economic benefits	2.049	.281	.328	7.290	.000
Environment benefits	.919	.256	.163	3.596	.000
Customer trust	.580	.255	.105	2.271	.024

Accessibility of Eco Loans	1.053	.231	.192	4.548	.000
a. Dependent Variable: Customer satisfaction					

Source –

Computed data

From the above table it shows that Service Quality (Beta=.416, $t=9.733$, $p=.000$), Transparency (Beta=.278, $t=3.607$, $p=.009$), Economic benefits (Beta=.328, $t=7.290$, $p=.000$) Environment benefits (Beta=.163, $t=3.596$, $p=.000$), Customer trust (Beta=.105, $t=2.271$, $p=.024$) Accessibility of Eco Loans (Beta=.192, $t=4.548$, $p=.000$) are statistically significant at 5% level. This indicates that customers are admired by Economic benefits and it leads to customer satisfaction.

9. Conclusion

Eco-loans provide an opportunity for banks to connect financial services with environmental sustainability. However, the effectiveness of these products depends not only on their environmental purpose but also on customers' perceptions of their affordability, accessibility, transparency, and practical value.

The reviewed literature indicates that green banking practices, green loans, environmental awareness, and service-related factors are relevant to customer satisfaction and perception. Nevertheless, broad green banking research should not be treated as equivalent to research on customers who have directly used eco-loans. A focused investigation of eco-loan customers can help establish which aspects of these products are associated with satisfaction in a particular banking context.

The proposed study can therefore contribute to sustainable finance research by developing and empirically testing a framework connecting customer perception towards eco-loans with customer satisfaction.

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