

An Empirical Relationship Between Green Banking Practices and Customer Trust

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ABSTRACT

Green banking means a financial institution includes environmental protection and sustainability goals in its daily work, loans, and investment. Green banking practices strongly boost customer trust by aligning financial services with environmental responsibility and operational transparency. Modern consumers prefer brands that match their personal eco-friendly values, converting ethical commitment into operational trust. Finally, it concludes that while digital services and green loans immediately improve customer satisfaction and reputation, overall loyalty often relies more heavily on the bank's collective public image rather than trust alone.

Keywords: Green Banking Practices, Customer Trust, Green Loan, Green Initiatives, Eco-Friendly.

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INTRODUCTION

Green banking practices have a direct, statistically significant positive effect on building customer trust and green brand image. Green banking involves eco-friendly operations, paperless transactions, renewable energy financing, and sustainable loan portfolios designed to minimize carbon footprints.

Modern consumers increasingly evaluate financial institutions not just on financial returns, but on ecological and ethical accountability. Empirical studies using structural equation modeling (SEM) show that green initiatives directly foster "green trust" and perceived ethicality, bridging environmental action with consumer confidence. Customers exhibit heightened loyalty towards banks that actively engage in environmentally friendly initiatives, such as carbon footprint reduction, renewable energy financing, and sustainable investment options. Green banking practices have become a strategic imperative for mitigating environmental and social impacts and fostering sustainable development (Mishra & Aithal, 2021). Beyond environmental benefits, green banking significantly contributes to customer loyalty, often called "green loyalty." This loyalty is rooted in

customers' favorable perceptions of a bank's environmental responsibility, facilitated by green trust and green image (Pawar & Munuswamy, 2022). Green trust reflects customers' confidence in the bank's commitment to sustainability, while green image represents customers' perception of the bank's environmental reputation (Chen, 2013; Chen, 2010; Sun et al., 2020). As modern banking becomes increasingly customercentric, institutions recognize that environmentally responsible initiatives align with corporate social responsibility (CSR) goals and serve as a key differentiator in a competitive market. Fostering customer loyalty has gained paramount importance, with institutions prioritizing the banker-customer relationship (Ferreira et al., 2015). Financial institutions should proactively invest in improving their environmentally friendly goods and services while considering their clientele's shifting demands. Although green banking practices also foster green trust, green trust does not exhibit a direct effect on green loyalty. The findings offer valuable implications for policymakers, financial institutions, and researchers seeking to advance green banking initiatives and drive sustainable consumer engagement

in the financial sector. Green banking practices have become a strategic imperative for mitigating environmental and social impacts and fostering sustainable development (Mishra & Aithal, 2021). Beyond environmental benefits, green banking significantly contributes to customer loyalty, often called "green loyalty." This loyalty is rooted in customers' favorable perceptions of a bank's environmental responsibility, facilitated by green trust and green image (Pawar & Munuswamy, 2022). Green trust reflects customers' confidence in the bank's commitment to sustainability, while green image represents customers' perception of the bank's environmental reputation (Chen, 2013; Chen, 2010; Sun et al., 2020). As modern banking becomes increasingly customer centric, institutions recognize that environmentally responsible initiatives align with corporate social responsibility (CSR) goals and serve as a key differentiator in a competitive market. Fostering customer loyalty has gained paramount importance, with institutions prioritizing the banker-customer relationship (Ferreira et al., 2015). Financial institutions should proactively invest in improving their environmentally friendly goods and services while considering their clientele's shifting demands (Pawar & Munuswamy, 2022).

RELATED REVIEWS

SS Jabeen, M Kavitha (2020) Effect of green marketing strategies on customer loyalty- Journal of Xian University of Architecture & Technology. This study aims to find the strategies of Green marketing and its influence on customer loyalty. The researcher used anova table and frequency analysis to find the result. It shows the findings that there is a positive association between green marketing strategies and customer loyalty. Customers are admired green marketing strategies and they are very loyal to the concern product.

Nguyet Thi Minh Dang (2023) Customer Perception on Green Banking - An Empirical Study in Vietnam. v. 11 n. 12 (2023): Continuous publication. The objective of this study is to investigate the level of awareness and perception among customers regarding the implementation of green banking practices by commercial banks in Vietnam. The findings of the study revealed that there is a low level of awareness regarding green banking among customers. However, customers do recognise the significance of green banking. The study also found that the Green Environmental Policy (POL), Performance of Green Banking (PER), and Excellence of Green Banking (EXC) have a positive impact on customer perception (CUSPER).

Anshul Jain(2024) Do Green Banking Practices Change Customers Attitudes and Behavior : A Conceptual Model. The rising importance of

environmental sustainability significantly changed customers consumption patterns, making studying their attitudes and behavior crucial. Thus, this research created a conceptual model to identify the drivers and analyze their influence on the customers intention toward green banking practices. The analysis showed the significant influence of environmental concern (EC), environmental knowledge (EK), subjective norms (SN), trust (TR), and government regulations (GR) on the attitude (AT), and attitude also significantly influenced customers behavior intention (BI) toward green banking practices. A comparative analysis between the customers of public and private banks showed that only GR played a dominant role in public banks users.

Sustain Res. (2024) Impact of Green Banking Practices on Green CSR and Sustainability in Private Commercial Banks: The Mediating Role of Green Financing Activities. 6(4):e240072. <https://doi.org/10.20900/jsr20240072>. The main purpose of this study is to explore the complex interplay between bank employees' green banking practices, daily operations, customer-centric green services, and green policies within private commercial banks in Bangladesh. It seeks to understand how these environmentally responsible financial initiatives influence the advancement of green corporate social responsibility (CSR) and sustainable practices in Bangladesh. The findings of this study confirm the significant influence of DOP, PRCI, and BPRP on GFA and GCSR&S. In contrast, PRE has no significant relationship between GFA and GCSR&S. The findings also indicate that GFA mediates the relationships between DOP, PRCI, BPRP, and GCSR&S.

Gyan Mani Adhikar (2025) Impact of Green Banking Practices in Enhancing Customer Loyalty: Insights from Banking Sector Customers. Financial Markets, Institutions and Risks, Volume 9, Issue 1 2025 ISSN (online) – 2521-1242; ISSN (print) – 2521-1250. Green banking practices have emerged as a pivotal strategy in fostering sustainability within the financial sector. This study examines the influence of green banking practices on customer loyalty in Nepal's banking industry, emphasizing key determinants that shape environmentally responsible consumer behavior. Grounded in the literature, the study conceptualizes green banking practices through three primary dimensions: electronic banking, green investment, and sustainable (green) product development. Their impact on green loyalty is assessed alongside the mediating effects of green image and green trust. The findings reveal that green banking practices significantly enhance green image, which, in turn, strengthens green loyalty.

INTEND OF THE STUDY

1. To identify the demographic details of customers using Green Banking
2. To analyses the relationship between Green Banking practices and Customer trust

HYPOTHESES OF THE STUDY

1. There is no significant relationship between Green Banking practices and Customer age
2. There is no significant relationship between Green Banking practices and Customer Gender
3. There is no significant relationship between Green Banking practices and Customer trust

ANALYSIS AND INTERPRETATION

Green banking practices build customer trust by aligning financial services with environmental responsibility, driving satisfaction and long-term loyalty. Trust is the foundational currency of the banking system because banks deal in promises, safeguarding deposits with the expectation that money can be withdrawn at any time. The following table shows that Gender and Age of the customer using Green Banking.

Table 1 Demographic details					
		Frequen cy	Perce nt	Valid Perce nt	Cumulati ve Percent
Age	Upto 30	81	15.5	15.5	15.5
	31-45	230	44.1	44.1	59.7
	41-60	161	30.9	30.9	90.6
	Abov e 60	49	9.4	9.4	100.0
	Total	521	100.0	100.0	
	Male	342	65.6	65.6	65.6

Gend er	Fema le	179	34.4	34.4	100.0
	Total	521	100.0	100.0	

Source – Primary data

From the above table, it is found that the sample unit consist of a maximum of 15.5% belongs to the age group of up to 30 Years. It is followed by 44.1% represent the age group of 31-45 years and 30.9% of 41-60 years of age group. It is further identified that 9.4% of above 60 years of age group customers.

The above sample dominated by 31-45 years of age group customers. It can be found that, the sample unit is represented by 65.6% of male customers followed by 34.4% female customers presented in this analysis. It shows that the sample is dominated by male customers.

INFLUENCE ON GREEN BANKING PRACTICES ON CUSTOMER TRUST

The Green Banking Practices factor consist of seven variables and it subsequent influence over Customer trust is measured through linear multiple regression analysis. The results are shown below

Table 2 Model Summary for Green Banking				
Practices				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.761 ^a	.579	.573	3.463
a. Predictors: (Constant), GB3, GB6, GB4, GB2, GB5, GB7, GB1				

Source –Computed data

It gives in the above table R=.761 R square = .579 and adjusted R square .573. It has given that the Green Banking Practices variable creates 58% variance over the Customer trust. The cumulative influence of seven variables of Green Banking Practices over Customer

trust is ascertained through the following one way analysis of variance.

Table 3 ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	8338.923	8	1042.365	86.926	.000 ^b
Residual	6055.682	50	11.991		
Total	14394.605	51			
a. Dependent Variable: Customer Trust					
b. Predictors: (Constant), GB3, GB6, GB4, GB2, GB5, GB7, GB1					

Source –Computed data

From the above table illustrates that $f=86.926$ $p=.000$ are statistically significant at 5% level. This leads to all the seven variables cumulatively responsible for Customer trust. The individual influence of all seven variables is clearly presented in the following coefficient table.

Table 4 Coefficients ^a				
Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
1				

	B	Std. Error	Beta		
(Constant)	7.822	1.241		6.301	.00
Eco friendly policies	3.344	.371	.416	9.014	.00
Green initiatives	2.295	.329	.314	6.968	.00
Green image	1.515	.378	.158	4.014	.00
Green loans	3.265	.253	.465	12.897	.00
Paperless workflows	-.555	.272	-.077	-2.044	.041
Green Financial Products	.591	.293	.076	2.016	.04
Transparency	2.666	.271	.412	9.841	.00
a. Dependent Variable: Customer Trust					

Source –Computed data

It was explained in the above table Eco friendly policies (Beta=-.416, $t=9.014$, $p=.000$), Green initiatives (Beta=-.314, $t=-6.968$, $p=.000$), Green image (Beta=-.158, $t=-4.014$, $p=.000$), Green loans (Beta=.465, $t=12.897$, $p=.000$), Green Financial Products (Beta=.076, $t=2.016$, $p=.044$), Transparency (Beta=.412, $t=9.841$, $p=.000$) are statistically significant at 5% level. Green loans and Green initiatives admired customers in the Green Banking practices and it leads to customer trust.

FINDINGS AND CONCLUSION

This research demonstrates that green banking practices have a direct, significant positive effect on building green trust and enhancing the overall green image of financial institutions. Implementing sustainable initiatives—such as paperless statements, digital workflows, and energy-efficient branches—significantly strengthens customer confidence and builds a robust "green image". Modern consumers prefer brands that match their personal eco-friendly values, converting ethical commitment into operational trust. Finally, it concludes that While digital services and green loans immediately improve customer satisfaction and reputation, overall loyalty often relies more heavily on the bank's collective public image rather than trust alone

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