Chapter 1

Customers’ Perceptions of Green Banking: Examining Service Quality Dimensions in Bangladesh

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ABSTRACT

Banks today promote eco-friendly financial services by widely adopting the concept of green banking. This is generally done to minimize the impact of environmental degradation in their business activities. Besides its usefulness for environment, green banking also acts as a competitive edge for banks by offering customers with new channels of financial services delivery. However, service experiences and quality of service delivery often defines customers’ perceptions towards the adoption of such services. This paper aims to study service qualities and other underlying factors that influence customers’ behavioral intentions towards using green banking in Bangladesh. Under PLS-SEM technique, factors like reliability, privacy, responsiveness, empathy and information quality has significant positive effect on performance expectancy; while, performance expectancy, effort expectancy and facilitating conditions significantly influence customers’ behavioral intention. Implications of these findings can provide practical recommendations and directions for further work to banks in Bangladesh.

INTRODUCTION

The influence of service quality factors is generally overpowering for banking services, since banks often use it as a means of differentiation for their survival in the competitive environment as well as to gain a competitive edge. Particularly, for alternate customer interaction channels like green banking, it is crucial to address the issues relating to customer expectations regarding service encounter experiences.

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and the quality in service delivery for developing customers’ intentions to use green banking. The acceptability of green banking services thus depends on the assessment of customers’ perspective of the banks’ overall service quality.

In response to the global initiative to save environment, many emerging economies today promote environmental-friendly practices by implementing various forms of green banking services. Green banking involves the environmental and social responsibility of banks in terms of the contribution they make towards ensuring sustainability of the environment and ecological system, through their in-house operations and the wide range of financial products and services that they offer (Nisha, 2016). Beyond its usefulness for the environment, green banking also benefits the clients by offering new channels of financial services delivery (Hossain et al., 2015).

However, technology is a vital element of green banking, since the design and delivery of its financial services vastly depends on it. The major objective behind this change is to attract more customers, improve customers’ perceptions, and encourage loyalty towards alternative delivery channels (Sharma & Malviya, 2011). This rapidly changing technology in the service delivery of the banking sector has profoundly changed the way customers today interact with their financial service providers (Sulaiman et al., 2007). Moreover, an increase in the use of wireless telecommunications like mobile phones and Internet-enabled Smartphone has also contributed to the change in customer behavior to a large extent (Nisha et al., 2015). With the shift of the banking sector from the traditional brick-and-mortar model to the branchless mode of banking, the interest of researchers shifted towards the examination of green banking services on the grounds of service quality.

Bangladesh has been particularly successful in implementing the green banking approach particularly in the country’s banking sector. This is because most of the leading banks today offer mobile banking, internet banking services in Bangladesh following the trend of financial globalization. As a result, customers often need to choose among different banks by making a trade-off between relationships and economies, trust and products, or service and efficiency (Sachdev & Verma, 2004). Additionally, customers are increasingly aware of the different offerings of electronic banking and this knowledge makes them more critical of the quality of service provided by the banks (Sharma & Malviya, 2011). As such, it is very important for banks to understand the service qualities that can influence customers’ behavioral intentions towards the use of green banking services in Bangladesh.

The importance of various service qualities for customer satisfaction and subsequent adoption of banking services has been evidenced in numerous studies, but there is a paucity of research that explores the linkage between green banking service quality perceptions and customer adoption intentions in the context of Bangladesh. This study fills into the void by aiming to conceptualize selected factors of electronic service quality (E-S-QUAL) to identify the service quality dimensions, as perceived by customers, in the case of green banking services. To pursue this purpose, a proposed research model has been designed in this study by combining the factors of E-S-QUAL and the unified theory of acceptance and use of technology (UTAUT) constructs. This study, therefore, has both theoretical and managerial implications. Theoretically, this hybrid model is a contribution to the literature since it is capable of understanding the service quality determinants, along with other factors, behind the adoption of green banking in Bangladesh. From a managerial perspective, the findings of this research should provide further insights into understanding and managing potential and current users. This study can also assist banks to discover the qualities that existing users demand and potential users anticipate from the existing green banking system in Bangladesh.