

GREEN BANKING IMPACT: MEDIATION OF GREEN IMAGE AND BANK TRUST ON BANK LOYALTY

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Abstract: With the accelerating impacts of climate change, global consumers have become more eco-conscious on how they spend their money. Businesses are now urged to implement sustainability initiatives in their operations, including banking institutions as they are a source of funding for every industry. Socially Responsible Investing (SRI) theory is used as the grand theory for this research. This research is conducted to investigate the effect of green banking practice (X) on bank loyalty (Y) through green image (Z1) and bank trust (Z2) as mediators. This is a quantitative research in which primary data was collected through online questionnaires with a 6-point Likert scale using the Google form platform. Purposive sampling method was used to collect 150 samples who met the predetermined criteria. The data obtained was then processed and analyzed using the PLS-SEM method on SmartPLS 4.0 software. The results showed that green banking practice has a positive significant effect on green image, bank trust, and bank loyalty. For the mediating variables, while green image has no significant effect on bank loyalty and does not act as a mediator in the relationship, bank trust was found to have a positive significant effect on bank loyalty and partially mediates the relationship.

Keywords: Green banking practice, green image, bank trust, bank loyalty

Abstrak: Dengan meningkatnya dampak perubahan iklim, konsumen global menjadi lebih sadar lingkungan dalam membelanjakan uangnya. Bisnis zaman sekarang didesak untuk menerapkan praktik ramah lingkungan dalam operasional mereka, termasuk lembaga perbankan karena mereka adalah sumber pendanaan bagi setiap industri. Teori Socially Responsible Investing (SRI) digunakan sebagai teori utama dalam penelitian ini. Penelitian ini dilakukan untuk menyelidiki pengaruh praktik perbankan ramah lingkungan (X) terhadap loyalitas bank (Y) melalui citra ramah lingkungan (Z1) dan kepercayaan bank (Z2) sebagai mediator. Penelitian ini merupakan penelitian kuantitatif yang data primernya dikumpulkan melalui kuesioner dengan menggunakan platform Google form. Kuesioner tersebut menggunakan Bahasa Indonesia dengan skala Likert 6 poin. Metode purposive sampling digunakan untuk mengumpulkan 150 sampel penelitian yang memenuhi kriteria yang telah ditentukan. Data yang diperoleh kemudian diolah dan dianalisis menggunakan metode PLS-SEM pada perangkat lunak SmartPLS 4.0. Hasil penelitian menunjukkan bahwa praktik perbankan ramah lingkungan memiliki pengaruh yang positif dan signifikan terhadap citra ramah lingkungan, kepercayaan bank, dan loyalitas bank. Untuk variabel mediasi, meskipun citra ramah lingkungan tidak berpengaruh signifikan terhadap loyalitas bank dan tidak berperan sebagai mediator dalam hubungan tersebut, kepercayaan bank ternyata memiliki pengaruh yang signifikan terhadap loyalitas dan memediasi hubungan tersebut secara parsial.

Kata kunci: Praktik perbankan ramah lingkungan, citra ramah lingkungan, kepercayaan bank, loyalitas bank

INTRODUCTION

As climate change continues to accelerate, global citizens are urging governments and companies to increase their efforts in tackling sustainability. With 2023 being the hottest summer in recorded history, the

effects of climate change are becoming more apparent and visible today. Therefore, it is more urgent than ever to proceed with mitigation (Fountain, 2019). Not only on a global scale, more Indonesian customers are becoming environmentally responsible and seeking to reduce carbon emissions by making smart choices (Annur, 2022). With more people practicing conscious consumerism, many are considering environmental sustainability as a crucial factor before deciding what to buy and where to invest. As customers become more ecologically conscious, companies have evolved to be greener in their operations to avoid obsolescence in the future (Hamdani, 2023). According to a 2022 online survey by Jajak Pendapat (JakPat) conducted on 2,303 respondents, the majority of millennials and Gen Z in Indonesia have become more concerned about the environment (Annur, 2022).

From a regulatory aspect, the Indonesian government has implemented environmental protection laws to ensure sustainability, including fiscal, central bank, and financial sector authority policies (The World Bank, 2023). Putting governmental regulation aside, in general, sustainability has become a crucial factor in ensuring the survival of a business. Companies that are not up to speed on sustainability will be left behind, just like how companies lose competitive advantage for failing to advance digitally in this fourth industrial revolution (Drenik, 2022). CNBC Indonesia Research created a green business ranking, assessing companies that pay more attention than the industry average to environmentally friendly and sustainable business practices. (CNBC Indonesia, 2023). Among the 8 companies on the list, 3 are from the banking sector.

The implementation of sustainable finance is realized by the banking sector through the term green banking. Bank Indonesia (BI) has encouraged the country's banking industry to actively distribute green credit or financing. Apart from that, BI also provides liquidity relief to banks that channel credit or financing to the green and sustainable sector (Elena, 2023). Besides governmental regulations, the need for the adoption of green practices in the financial industry is also due to the rise in environmental consciousness in which customers turn away from traditional banking towards sustainable banking (Iqbal et al., 2018, as cited in Ibe-enwo et al., 2019). In that sense, green banking practice can be implemented by financial institutions to leverage competitive advantages for customer retention or improve overall performance (Rifat et al., 2016, as cited in Ibe-enwo et al., 2019). Banks are a source of funding for industry, whose business activities often have an impact on the environment. Thus, now banks are required to implement green banking, an effort to strengthen banking management capabilities related to environmental and social issues. For example, by increasing the bank's portfolio in financing the renewable energy industry, organic agriculture, and so on (Dihni, 2022). According to the Katadata Insight Center (KIC) report, there are only four banks that are widely perceived to have implemented green banking principles, namely Bank Central Asia (BCA), Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI), and Bank Mandiri (Dihni, 2022). Meanwhile, other banks are not widely perceived as green banking players.

A past study by Stauropoulou et al (2019) suggests that bank performance can be indicated by banking customer loyalty, which in a green or sustainability context, is influenced by the green banking practices implemented by the institution. For green banking practice to have significant effects on bank loyalty, studies by Ibe-enwo et al. (2019) and Pawar & Munuswamy (2022) suggest the need of mediating variables which include green image and bank trust. Several studies have been conducted to investigate the effects of green banking practice on bank loyalty. Some studies concluded that green banking practice has a significant positive impact on bank loyalty (Ibe-enwo et al., 2019; Muflih et al., 2023; Stauropoulou et al., 2023). Some researchers, however, do not support this argument. Pawar & Munuswamy (2022) found that green banking practice has no significant influence on bank loyalty. This indicates that there is a research gap that arises due to the inconsistency of results in studies that examine the relationship between green banking practice and bank loyalty. The same goes for the mediating effects of green image and bank trust. Studies by Stauropoulou et al. (2023) and Ibe-enwo et al. (2019) show that green image acts as a mediator in the relationship between green banking practice and bank loyalty. On the contrary, a study by Pawar & Munuswamy (2022) reveals that green image does not mediate this relationship. For bank trust, a study by Muflih et al. (2023) shows that bank trust acts as a mediator in the relationship between green banking practice and bank trust. Conversely, a study by Ibe-enwo et al. (2019) reveals that bank trust does not mediate this relationship. Based on the data and the research gap above, this research will investigate the relevance of green banking practice on bank loyalty through green image and bank trust as mediators in Surabaya.

LITERATURE REVIEW

Grand Theory

Socially Responsible Investment Theory

Socially responsible investment (SRI) refers to the integration of social, environmental, or ethical criteria into financial investment decisions. Unlike conventional investment which only focuses on financial risk and return, SRI includes other objectives or restrictions, concerning not only the magnitude but also the source of the return (Cowton & Sandberg, 2020). The SRI theory, according to Pawar & Munuswamy (2022) serves as a blueprint which can be used to enhance the relationship between green banking practice and green image, bank trust, and bank loyalty, which are the 4 variables observed in this research. This is a result of the high standards from investors and stakeholders today, who seek to derive utility from a social responsibility attribute and fund only environmentally friendly projects. This is evidence that stakeholders and investors' preferences for social and environmental benefits influence their investment decisions. Therefore, this has become a crucial strategy that businesses should utilize to build a positive image, which in turn may strengthen relationships with customers, gaining their trust and loyalty. Igbudu et al. (2018, as cited in Pawar & Munuswamy, 2022) also suggested that in the banking context, the SRI approach is a crucial strategy required for increasing bank reputation and bank loyalty through sustainable banking practices.

Previous Research

Pawar & Munuswamy (2022) conducted a study with the aim of exploring bank customers' perceptions towards green banking practices in India using Stakeholder theory as the grand theory. Primary data was obtained by distributing questionnaires to commercial bank customers. The data was then processed using Structural Equation Modeling (SEM) method in SPSS Amos software. The result of this study shows that green banking practice has a positive influence on green image, but does not have any significant influence on green loyalty. In addition, it is also shown that green image mediates the relationship between green banking practices and green loyalty. Green trust, however, has no significance on the mediation between green banking practices and green loyalty. The correlation between the study by Pawar & Munuswamy (2022) with this research is the use of green banking practice as an independent variable, loyalty as the dependent variable, and also green image and trust as mediating variables.

Ibe-enwo et al. (2019) conducted a study using socially responsible investment (SRI) as the grand theory. Focusing on banking customers in North Cyprus, quantitative data was obtained by distributing questionnaires through the Google form platform. The 850 total responses received were then analyzed using PLS to identify relationships between the observed variables. The results of this study indicate that there is a direct and significant influence of green banking practice on green image, bank trust, and bank loyalty. It is shown that green banking practice has a statistical and significant influence on green image, bank trust, and bank loyalty. On one hand, the mediating variable green image is shown to have a significant impact on bank loyalty. On the other hand, the findings also indicate that bank trust has no statistically significant effect on bank loyalty. The correlation between the study by Ibe-enwo et al. (2019) with this research is the observation of green banking practice as the independent variable, green image and bank trust as the mediating variables, and bank loyalty as the dependent variable.

Muflih et al. (2023) conducted a study with the aim of connecting Islamic green banking practices with green customer loyalty, both directly and through the role of green trust, green perceived value, and green satisfaction. To obtain primary data, questionnaires were distributed to customers of the retail banking sector and a total of 341 responses were received. The PLS-SEM method was then used to analyze the data. The study result disclosed that green banking practice has significant influence on green loyalty through the role of green perceived value and green satisfaction. Based on the findings, it is also shown that green banking practices significantly influence green loyalty through the role of green perceived value and green trust. The correlation of the study conducted by Muflih et al. (2023) with this study is that both studies observe green banking practice as the independent variable, trust as the mediating variable, and loyalty as the dependent variable.

Stauropoulou et al. (2023) conducted an online study under the circumstances of the global Covid-19 pandemic. The aim of the research is to investigate the impact that economically, environmentally, and socially-

related SDGs have on bank customer behavior. Conducted in Greece, a quantitative survey involving 980 Greek banking customers was carried out to obtain primary data. Partial Least Squares Structural Equation Modeling (PLS-SEM) technique was applied to analyze complex relationships between observed variables. SmartPLS 3.0 software was used to analyze the data. The findings show that the introduction of SDGs into the heart of sustainable banking management are positively related to customer trust, loyalty, and the image customers hold towards the institution. The independent variables of the study by Staupoulou et al. (2023), which are economically, environmentally, and socially related SDGs are similar to the independent variable of this study, which is green banking practice. Green banking practice also refers to bank activities that go beyond generating profit, it includes enhancing welfare through economic, environmental, and social considerations to accomplish sustainable development. Besides the independent variable, the study by Staupoulou et al. (2023) observes customers' behavior as the dependent variable with loyalty being one of them, just like what is observed in this study.

Ahmad et al. (2021) conducted research with the aim of investigating the dimensional impact of Corporate Social Responsibility (CSR) activities on the loyalty of banking consumers in Pakistan. Survey results from 369 respondents are analyzed by adopting Structural Equation Modeling (SEM) approach in AMOS. The study result shows that the three dimensions of CSR have a positive relationship with consumer loyalty, but each with a different intensity. The dimension with the most influence on consumer loyalty is social dimension, while the least influential one is environmental dimension. The correlation between the study by Ahmad et al. (2021) with this research is the use of banking sustainability initiatives as the independent variable and consumer loyalty as the dependent variable.

Igbudu et al. (2018) conducted a study with Socially Responsible Investment (SRI) as the grand theory. The quantitative survey conducted derived 511 responses from customers of the banking sector in Turkey. Data was then analyzed using a Structural Equation Modeling (SEM) to identify relationships between the observed variables. Results show that sustainable banking practices have a significantly positive influence on corporate image and bank loyalty. Moreover, not only does corporate image have a significantly positive effect on bank loyalty, it also acts as a mediator in the relationship between sustainable banking practices and bank loyalty. The correlation between the study by Igbudu et al. (2018) with this study is that both studies observe sustainable banking practices as the independent variable, bank loyalty as the dependent variable, and corporate image as the mediating variable.

Relationship Between Variables and Hypothesis

A study by Pawar & Munuswamy (2022) reveals that green banking practices have no significant influence on green loyalty. On the contrary, a study by Ibe-enwo et al. (2019) suggests that green banking practice has a significant influence on bank loyalty. Similar findings can also be found in a study conducted by Muflih et al. (2023) and Staupoulou et al. (2023) which reveal that green banking practices significantly affect green loyalty.

H₁: Green banking practice has a positive significant effect on bank loyalty.

A study by Pawar & Munuswamy (2022) reveals that green banking practices have a positive influence on green image. Several studies by Ibe-enwo et al. (2019), Alshebami (2021), and Staupoulou et al. (2023) also validate the conclusion that green banking practice has a statistical and significant impact on green image.

H₂: Green banking practice has a positive significant effect on green image.

Green banking practice is shown to have a positive influence on green trust in a study conducted by Pawar & Munuswamy (2022). This positive relationship is also affirmed in several studies by Ibe-enwo et al. (2019) and Staupoulou et al. (2023) which show that green banking practice has a significant impact on bank trust.

H₃: Green banking practice has a positive significant effect on bank trust.

A study by Pawar & Munuswamy (2022) reveals that green image does not significantly influence green loyalty. In contrast, several studies by Ibe-enwo et al. (2019), Staupoulou et al. (2023), and Chrisjtmiko (2018) reveal that green image has a significant effect on bank loyalty.

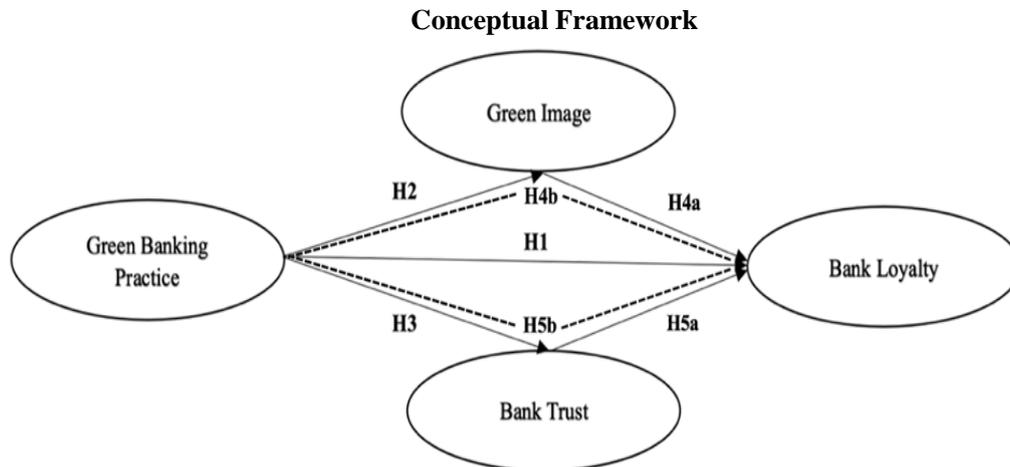
H_{4a}: Green image has a positive significant effect on bank loyalty.

H_{4b}: Green image mediates the relationship between green banking practice and bank loyalty.

A study by Ibe-enwo et al. (2019) reveals that bank trust has no statistically significant impact on bank loyalty. Several studies by Pawar & Munuswamy (2022), Muflih et al. (2023), and Chrisjatmiko (2018), however, reveal that green trust positively influences green loyalty.

H_{5a}: Bank trust has a positive significant effect on bank loyalty.

H_{5b}: Bank trust mediates the relationship between green banking practice and bank loyalty.



RESEARCH METHODOLOGY

This research applies the quantitative method, which refers to a set of methods used to systematically investigate social issues using statistical or numerical data. As a result, quantitative research entails measurement and presupposes that the phenomena under investigation can be quantified. Its goal is to look for trends and relationships in data and to double-check the measurement made. In specific, the type of quantitative method used is descriptive statistics. In this study, green banking practice will be used as the independent variable, green image and bank trust as mediating variables, and bank loyalty as the dependent variable. Quantitative research will begin with a problem statement, hypothesis and research question formulation, relevant literature evaluation, followed by quantitative data analysis.

Population and Sample

Population is defined as the entire group of subjects the researcher wants to retrieve information from (Stockemer, 2019). The members of the population for this research are BCA, BRI, BNI, Mandiri bank account holders in Surabaya who have made bank investments, who are the primary data source in this study. Only those 4 banking institutions are chosen because they are known for having implemented green banking practices. Taking a sample is needed because the population for this research is too large. Non-probability sampling will be used in this research, the purposive sampling method in specific, in which the selected subjects from the population is in accordance with the purpose of this research. The sampling size for this study will be calculated using the 10-time rule method, which suggests that the sample size should equal to 10 times the number of arrowheads pointing at a latent variable or can be inferred from the variations in observed indicators in the PLS path model (Hair Jr. et al., 2021). As the number of indicators in this research is 15, the sample size would be 150 respondents. An online survey using the Google form platform, with a 6-point ordinal Likert scale in Indonesian language will be conducted to obtain primary data.

Data Analysis Method

The method used to process data in this research is the Partial Least Squares Structural Equation Modeling (PLS-SEM) using SmartPLS 4.0 software. For the outer model, the validity and reliability of the

measuring constructs used in this research will be tested. To have convergent validity, AVE score should be above 0.50 and factor loading score should be above 0.7. Discriminant validity will be measured using Fornell-Larcker criterion, HTMT ratio, and cross-loading test. For the inner model, hypothesis testing will be done using p-values and t statistic values of each path coefficient, in which values should be below 0.05 and above 1.96 respectively, for variables to have significant relationship. To figure out the correlations between variables, the R², f², and Q² tests will be conducted. Lastly, the specific indirect effects test will be conducted to determine the mediation effects of each mediating variable observed in this research (Hair Jr. et al., 2021).

DATA ANALYSIS AND DISCUSSION

Data Analysis

For age generation classification, 53 respondents are generation Z age 17-26, 62 respondents are millennials age 27-42, and the remaining 35 respondents are generation X age 43-58. For banking institutions, 121 respondents have a Bank Central Asia (BCA) bank account, 11 respondents have a Bank Negara Indonesia (BNI) bank account, 9 respondents have a Bank Rakyat Indonesia (BRI) bank account, and 9 respondents have a Mandiri bank account. Lastly, for the investment type category, 86 respondents have made bank deposits, 41 respondents have invested in stocks, and 23 respondents have invested in mutual funds.

Validity and Reliability Test

All measuring constructs in this research have satisfied the convergent validity test as the Average Variance Extracted (AVE) scores of all latent variables are above 0.5 and the outer loading scores of all indicators are above 0.7. As for discriminant validity, the Fornell-Larcker test result shows that the square root of the Average Variance Extracted (AVE) of a particular variable is greater than the correlation with other variables. The heterotrait-monotrait ratio (HTMT) test result shows that all values are below 0.90. The cross-loading test result shows that every item has higher loading or correlates higher with its own parent construct compared to other constructs. All latent variables in this research are also considered reliable as they have met the minimum scores for Cronbach's alpha and composite reliability. The Cronbach's alpha score of each variable is above 0.7. The same goes for the composite reliability, the score of each variable is above 0.7.

Hypothesis Testing

The relationship between green banking practice and bank loyalty has a t-value of 2.678 and a p-value of 0.007. For the second relationship observed in this research, between green banking practice and green image, the t-value is 7.247 and p-value is 0.000. The t-value and p-value for the relationship between green banking practice and bank trust are 9.506 and 0.000 respectively. These values suggest that all three relationships are positively significant and that the first, second, and third hypotheses are accepted. For the mediating variables, the relationship between green image and bank loyalty has a t-value of 0.592 and a p-value of 0.554, while the relationship between bank trust and bank loyalty has a t-value of 2.169 and a p-value of 0.030. These values disclose that while green image has no significant relationship with bank loyalty, the relationship between bank trust and bank loyalty is positively significant. Therefore, hypothesis 4a is rejected and hypothesis 5a is accepted. The relationship between green banking practice and bank loyalty mediated by green image is not significant ($t = 0.553$, $p = 0.580$), indicating that it does not act as a mediator. Therefore, hypothesis 4b is rejected. The second relationship, between green banking practice and bank loyalty mediated by bank trust, is significant and bank trust acts as a partial mediator ($t = 1.990$, $p = 0.047$). Therefore, hypothesis 5b is accepted.

Correlation Between Variables

Based on the R² test result, green image has an R² value of 0.241, bank trust has an R² value of 0.361, and bank loyalty has an R² value of 0.274. These R² values indicate that the explanatory power for variable green image is weak as it is below 0.25, and moderate for variables bank trust and bank loyalty as the values are between 0.25 and 0.75.

The f² test result shows that the f² value of green banking practice to green image is 0.317, indicating that it has a medium effect as the value is above 0.15. The f² value of green banking practice to bank trust is 0.566,

indicating that it has a large effect as the value is above 0.35. The f^2 value of green banking practice to bank loyalty is 0.08, indicating that it has a small effect as the value is below 0.15. The f^2 values of green image to bank loyalty is 0.002 and bank trust to bank loyalty is 0.045. These values indicate that the effect size of both relationships are small as the f^2 values of both are below 0.15.

The Q^2 values for the variables green image, bank trust, and bank loyalty are, 0.224, 0.354, and 0.224 respectively. These values indicate that the model has predictive relevance as they are all above 0, which is the minimum requirement.

Discussion

The Effect of Green Banking Practice (X) towards Bank Loyalty (Y)

The results show that green banking practice has a positive significant effect on bank loyalty ($t = 2.678$, $p = 0.007$). Therefore, the first hypothesis is accepted. While this finding is not in line with a previous study by Pawar & Munuswamy (2022), this study result is in accordance with two previous studies by Ibe-enwo et al. (2019) and Muflih et al. (2023). Both studies suggest that a customer's major concern when deciding on a banking institution to stick with are on the products, services, and practices that will improve their well-being.

Given that the majority of respondents in this research are Gen Z and millennials, it is no wonder that this study result shows how customers tend to be more loyal towards institutions which can fulfill their preferences for green products and services. They are widely known as the eco-conscious generations with stronger commitments to sustainability (Petro, 2023).

The Effect of Green Banking Practice (X) towards Green Image (Z1)

The results show that green banking practice has a positive significant effect on green image ($t = 7.247$, $p = 0.000$). Therefore, the second hypothesis is accepted. This study reaffirms the result of a study by Pawar & Munuswamy (2022), which concluded that a banking institution's engagement in environmental conservation initiatives helps cultivate a green image in the minds of the customers. In addition, this study result also strengthens the finding of previous studies by Ibe-enwo et al. (2019) and Alshebami (2021) which reveal that green banking practices help financial institutions to create a positive impression on its role in protecting the environment, hence earning a green image.

Most of the respondents in this research have an account in BCA bank, which is known to have implemented green initiatives with a green image attached to the brand. In fact, BCA bank ranks first as the bank with the strongest green banking image (Databoks Katadata Green, 2022). The institution was able to achieve this through the distribution of green credit financing reaching IDR 183.2 trillion (Rahayu, 2023) and the management of 48.3 tons of non-organic waste (Pratiwi, 2023) in the year 2022. For that reason, it can be confirmed that sustainability practices help brands earn a green image.

The Effect of Green Banking Practice (X) towards Bank Trust (Z2)

The results show that green banking practice has a positive significant effect on bank trust ($t = 9.506$, $p = 0.000$). Therefore, the third hypothesis is accepted. Similar to this study finding, a past study conducted by Pawar & Munuswamy (2022) also disclosed that a banking institution's green initiatives help establish a sense of trust in the minds of its customers. Two previous studies by Ibe-enwo et al. (2019) and Staupoulou et al. (2023) also revealed that a bank's commitment and sincerity towards environmental goals is a crucial strategy to engender bank trust.

In terms of respondent characteristics, this study finding can be explained by the fact that most of them are BCA bank account holders, which is known to have implemented green banking practices. Some concrete examples are the Wisma BCA Foresta green building which serves as its designated head office and the distribution of green financing for the development of the renewable energy sector (Ismoyo, 2023). These visible realizations of environmental commitments build trust among customers, earning the institution sustainability recognitions, namely TrenAsia ESG 2023 and Greenship Platinum Certification (Bagaskara, 2023).

The Effect of Green Image (Z1) towards Bank Loyalty (Y)

The results show that green image does not have any significant effect on bank loyalty ($t = 0.592$, $p =$

0.554). Therefore, hypothesis 4a is rejected. This study strengthens the finding of a previous study by Pawar & Munuswamy (2022) which reveals that the green image customers have towards a banking institution does not foster loyalty. A study by Khan et al. (2023) also implies that the resulting green brand image from green initiatives are simply marketing scams which would dissatisfy the green expectations of the environmentally concerned customers. Similarly, a study by Gelderman et al. (2021) also shows that green image has no direct effect towards loyalty because buyers these days are on alert for greenwashing. Therefore, customers tend to base their loyalty on the actual sustainability performance instead of the green image attached to the brand.

Considering that 80.7% of respondents are BCA bank account holders, it is no surprise that they did not base their loyalty on the green image that the institution has. This is because their loyalty has long been established based on factors like convenience, accessibility, and privacy security. Environmental sustainability awareness has only emerged years after customers have become loyal to the institution, hence the additional factor of green image plays no significant role on their loyalty. In addition, the fact that the most popular bank investment the survey participants have done is bank deposit, with 57.3%, also explains why green image does not play a role in determining their loyalty towards an institution. This is because bank deposit is one of the oldest investment instruments, which most people have done several years back even before this whole environmental sustainability issue became such a huge concern.

The Mediation Effect of Green Image (Z1)

The specific indirect effect test results show that green image does not mediate the relationship ($t = 0.553$, $p = 0.580$). Therefore, hypothesis 4b is rejected. This study finding is supported by previous study by Khan et al. (2023) which revealed that green image does not act as a mediator in the relationship between green banking practice and bank loyalty. Similarly, a study by Gelderman et al. (2021) also found that sustainability initiatives do not necessarily affect loyalty through a green corporate image as a mediator. In addition, this study finding is also in agreement with Pawar & Munuswamy (2022) which revealed that green image does not mediate the relationship between green banking practice and bank loyalty.

The Effect of Bank Trust (Z2) towards Bank Loyalty (Y)

The results show that green banking practice has a positive significant effect on bank loyalty ($t = 2.169$, $p = 0.030$). Therefore, hypothesis 5a is accepted. Although this finding is in contrast with a previous study by Ibenwo et al. (2019), it is in accordance with previous study by Pawar & Munuswamy (2022), which suggests that trust among customers has a direct influence towards customer loyalty. A previous study by Muflih et al. (2023) also found that the ability of Islamic banking institutions to cultivate green trust among customers increases their customers' loyalty or eagerness to continue doing transactions with the same bank. Similarly, it is also discussed in a study by Chrisjatmiko (2018) that customers will make repeat purchases and make referrals only when they are convinced that the eco-practices are consistently implemented and can meet their expectations.

The effect of bank trust on loyalty is reflected in the case with BCA, in which most respondents are actually a part of. In November 2023, BCA received the prestigious title of "World's Most Trustworthy Company" from Newsweek Magazine. Its efforts in upholding the principles of integrity to remain honest and transparent to its customers allow the institution to reap the benefit which is reflected through the exponential growth of its customer base (Setiawan, 2023).

The Mediation Effect of Bank Trust (Z2)

The specific indirect effect test results show that bank trust mediates the relationship ($t = 1.990$, $p = 0.047$). Therefore, hypothesis 4b is rejected. This study supports an existing literature by Pawar & Munuswamy (2022) which revealed that the relationship between green banking practices and customer loyalty is mediated by bank trust. Similarly, a study by Muflih et al. (2023) also discovered that trust acts as a mediating variable between the relationship of green banking practice and bank loyalty. In addition, another study by Chrisjatmiko (2018) also has similar findings in which it concludes that the green products offered by a company affect their customers' loyalty through green trust as a mediating variable.

Research Implication

The study results reaffirm the need for banking institutions to be more innovative and proactive with their green initiatives to create a green image for their brands, strengthen customers' trust, and retain customers in the market. Some ways to do this include adopting a green human resource management approach, investing resources in green product developments and technological advancements to improve operational efficiency, as well as distributing funds to pro-environmental companies.

Sustaining banking customers' loyalty requires more than just a green brand image. Being labelled a green bank does not guarantee customers to remain loyal towards one institution. Thus, banking institutions should work on assuring their customers on the reliability and truthfulness of their green environmental initiatives by taking real and concrete actions. This is to avoid being accused of greenwashing, a common deceptive marketing technique used by companies these days.

Banking institutions should foster a sense of trust in the minds of their customers in order to gain their loyalty. In a green context, firms should fulfill their promises and commitments to environmental sustainability to strengthen customers' trust. Firms should make sure that their claims are dependable and can live up to their customers' expectations. Showing sincerity towards tackling environmental issues has become a crucial strategy for engendering bank trust which drives customer loyalty.

CONCLUSION AND SUGGESTION

Conclusion

This research has successfully answered all research questions and achieved its objectives. Based on the analysis and discussion of the hypothesis testing results, the following conclusions can be drawn:

1. Green banking practice has a positive significant effect on bank loyalty.
2. Green banking practice has a positive significant effect on green image.
3. Green banking practice has a positive significant effect on bank trust.
4. Green image does not have any significant effect on bank loyalty.
5. Green image does not mediate the relationship between green banking practice and bank loyalty.
6. Bank trust has a positive significant effect on bank loyalty.
7. Bank trust mediates the relationship between green banking practice and bank loyalty.

Following that, this research has also significantly enhanced the understanding of the grand theory used in this research, the Socially Responsible Investment theory, in the bank-customer relationship. Customers making deposits in banks, investing in stocks or mutual funds, are hoping to earn returns from their investments. They, however, are socially responsible by choosing the right means and the right institution to do so. Not only to earn financial returns, they also aim to generate social change and contribute to environmental conservation.

Suggestion and Limitation

Banking institutions are suggested to adopt a green human resource management approach to train employees to adhere to green practice principles as well as proactively improve green performance by investing resources in green product developments and technological advancements to boost operational efficiency. Institutions, however, should live up to their claims, actually fulfilling their environmental commitments and promises, as the green image attached to the brand does not guarantee loyalty without the trust of their customers. Banks should take real and concrete actions in order to avoid being accused of greenwashing and overclaiming.

It is recommended for future researchers to conduct research on a wider scope with a larger sample, exploring this topic on more diverse societies and on other financial sectors. Future researchers can also choose to adopt a qualitative method which allows for a more complex and in-depth understanding of the concept. In addition, future researchers can also extend the proposed model with additional variables such as green satisfaction, green perceived value, and green equity. Not only that, the researcher can do the research on a longer timeframe, and search for funding to elevate the overall quality of the research.

Readers are recommended to start implementing green practices in their businesses in order to create a

green image to their brands, strengthen customers' trust, and gain customers' loyalty. Some ways to do this include switching to renewable energy, developing new products using recycled materials, opting for eco-friendly packaging, using sustainable production chains, and engaging in ethical sourcing in their businesses. To fully gain their customers' loyalty, however, readers should make sure that the environmental practices they claim to be implementing are actually translated into real actions, in order to convince their customers to put their trust in the business.

In spite of the significant contributions that this research offers, there are still several limitations that should be highlighted for similar research that will be conducted in the future. The first limitation in this research is the lack of access to funding and equipment. For instance, the statistical tool that the researcher had was only the free version of SmartPLS 4.0. A professional license is required to process more than 100 data, but the researcher had no access nor the budget to obtain one. Therefore, the researcher decided to use the 30-days free trial version to process 150 data. Another limitation in this research is the limited access to participants that fall within the generation X category, which to an extent, restricts the generality of the results. The fact that the researcher could not have direct access to the customer database of the 4 banking institutions, namely BCA, BRI, BNI, and Mandiri, also limits the quality of information retrieved for the analysis.

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APPENDIX

Table 1. Descriptive Statistics of Sample

| Index | n = 150 | Intensity (%) |
|----------------------------|---------|---------------|
| Age Generation | | |
| 17-26 years (Gen Z) | 53 | 35.3 |
| 27-42 years (millenials) | 62 | 41.3 |
| 43-58 years (Gen X) | 35 | 23.3 |
| Gender | | |
| Male | 75 | 50 |
| Female | 75 | 50 |
| District | | |
| West Surabaya | 25 | 17 |
| East Surabaya | 40 | 27 |
| Central Surabaya | 18 | 12 |
| North Surabaya | 30 | 20 |
| South Surabaya | 37 | 25 |
| Job | | |
| hmm | 20 | 20 |
| apa | 20 | 20 |
| isi | 20 | 20 |
| sek | 20 | 20 |
| Banking Institution | | |
| BCA | 121 | 80.7 |
| BRI | 9 | 6 |
| BNI | 11 | 7.3 |
| Mandiri | 9 | 6 |
| Investment Type | | |
| Deposits | 86 | 57.3 |
| Stock | 41 | 27.3 |
| Mutual Funds | 23 | 15.3 |

Source: Data processed, 2023

Table 2. Validity and Reliability Test

| Variable | Items | Outer Loading | Average Variance Explained | Composite Reliability | Cronbach's Alpha |
|-------------------------------|-------|---------------|----------------------------|-----------------------|------------------|
| Green Banking Practice | GRN 1 | 0.809 | 0.661 | 0.877 | 0.871 |
| | GRN 2 | 0.847 | | | |
| | GRN 3 | 0.857 | | | |
| | GRN 4 | 0.792 | | | |
| | GRN 5 | 0.756 | | | |
| Green Image | IMA 1 | 0.865 | 0.780 | 0.895 | 0.861 |
| | IMA 2 | 0.920 | | | |
| | IMA 3 | 0.864 | | | |
| Bank Trust | TRS 1 | 0.860 | 0.774 | 0.903 | 0.903 |
| | TRS 2 | 0.877 | | | |
| | TRS 3 | 0.911 | | | |
| | TRS 4 | 0.871 | | | |
| Bank Loyalty | LOY 1 | 0.769 | 0.671 | 0.844 | 0.837 |
| | LOY 2 | 0.808 | | | |
| | LOY 3 | 0.870 | | | |
| | LOY 4 | 0.825 | | | |

Source: Data processed, 2023

Table 3. Hypothesis Testing

| Hypothesis | Path | T Statistics | P-Values | Statement |
|-------------------|-------------------|---------------------|-----------------|------------------|
| H1 | GBP (X) → GI (Z1) | 2.678 | 0.007 | Accepted |
| H2 | GBP (X) → GI (Z1) | 7.247 | 0.000 | Accepted |
| H3 | GBP (X) → GI (Z1) | 9.506 | 0.000 | Accepted |
| H4a | GI (Z1) → BL (Y) | 0.592 | 0.554 | Rejected |
| H5a | BT (Z2) → BL (Y) | 2.169 | 0.030 | Accepted |

Source: Data processed, 2023

Table 4. Specific Indirect Effects Test

| Path | Standard Deviation | T Statistics | P-Values | Statement |
|----------------------------|---------------------------|---------------------|-----------------|-------------------|
| GBP (X) → GI (Z1) → BL (Y) | 0.661 | 0.877 | 0.871 | No mediation |
| GBP (X) → BT (Z2) → BL (Y) | 0.780 | 0.895 | 0.861 | Partial mediation |

Source: Data processed, 2023