


# Evaluating Attractiveness and Perceived Risks: The Case of Green Banking Services in Bangladesh

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## ABSTRACT

Access to green banking services has the potential to improve and promote environmentally friendly practices in banking sector of Bangladesh. Beyond its usefulness for the environment, green banking also benefits the clients by offering new channels of financial services delivery in a convenient and quickly manner. While this is an attractive option, there are a number of perceived risks attached to it. This study aims to examine factors that can influence the attractiveness of green banking services, alongside explaining associated risks for its adoption in Bangladesh. Findings indicate that clients are mostly attracted to green banking services due to its social and task attractiveness. However, perceived risks like financial, time, individual, and cyber risks often hamper this attractiveness. Overall results confirm the relationship between perceived risk and attractiveness and their subsequent influence upon client's behavioral intention towards green banking services. Implications and future directions are discussed as well.

## KEYWORDS

Bangladesh, Behavioral Intention, Client's Perception, Environmentally Friendly, Green Banking Services, Perceived Attractiveness, Perceived Risk, Technology Adoption

## INTRODUCTION

Many emerging economies today promote environmental-friendly practices by implementing various forms of green banking services as part of the global initiative to protect environment. Through investing in different pollutant industries, financial institutions indirectly contribute to environmental pollution. Subsequently, green banking services are now part of eco-friendly practices and in-house operations of the daily banking activities (The Daily Observer, May 26, 2015). Green banking mainly involves the environmental and social responsibility of banks through their in-house operations and the wide range of financial products and services that they offer towards ensuring sustainability of the environment and ecological system (Nisha, 2017). Beyond its usefulness for the environment,

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green banking also attracts the clients by offering new channels of financial services delivery (Iqbal et al., 2017). Global awareness about greenhouse effects and climate change gave rise to the notion of green banking in many developed countries and alongside, few developing countries also adopted the concept of “GO GREEN” (Singhal, 2014).

Following the footsteps, developing country for instance, Bangladesh has joined the bandwagon around 2011 (Masum, 2015). The central bank of Bangladesh formulated Green Banking Policy which aims to ensure environment-friendly business practices by banks and financial institutions by promoting sustainable financial and economic growth across the entire country (Rifat et al., 2016). The contribution of Bangladesh Bank to make green banking a reality in Bangladesh is a commendable move, as it is the only central bank in the South-Asian continent which has issued such an analytical guideline for the adoption of green banking (Hossain and Ahmed, 2015). The common green banking services that all banks offer in Bangladesh today includes the use of e-statements instead of printed statements or e-mails instead of paper documents, internet banking, SMS banking, mobile banking, the use of Automated Teller Machines (ATM), Bangladesh Automated Cheque Processing System (BACPS), Bangladesh Electronic Fund Transfer Network (BEFTN) or other mobile financial services in the form of e-currency like bKash, mCash, EasyCash etc. (Masukijjaman & Aktar, 2013). According to Bangladesh Bank, all these green banking services are necessary for the sustainability in the long-run. However, the application of green banking chiefly requires the involvement of the bank clients, since they are the ones who are at the forefront of using such initiatives to conduct their banking transactions. Bangladesh Bank has mandated the commercial banks to introduce rigorous programs in order to educate clients and influence them to comply with the environmental regulations as well as to undertake activities which are going to benefit the environment (Islam & Kamruzzaman, 2015).

The design and delivery of green banking financial services vastly depends on technology. 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 (Sanakulov and Karjaluo, 2015). However, many clients may also be reluctant to adopt green banking services in a developing country due to a lack of trust in the security of online technology and concerns regarding the use of information submitted electronically. These security concerns are not without merit. In light of the inherent uncertainty of using an open technological infrastructure like Internet, clients want assurance that their online interaction with the bank is secure and reliable (Iqbal et al., 2018). 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 in adopting green banking services (Nisha, 2017). The major objective behind this change is to attract more customers, improve customers' perceptions, and encourage loyalty towards alternative delivery channels such as green banking services. So, as much as attractive green banking services are for clients in Bangladesh, the perceived risks associated to such services can often impede this attractiveness. The most important aspect of this Green Banking Policy is actually directed towards the bank clients. Therefore, it is crucial to address the issues relating to customer attractiveness and risks regarding developing intention to use green banking by the customers.

A notable study by Weber et al. (1992) has examined perceived risk and attractiveness judgments, claiming that attractiveness and perceived risk are closely related yet tending to be distinct phenomena. Moreover, the findings of this study highlight a presumed relationship not only between these two factors, but of both these factors to the behavioral intention of choosing an alternative over the other. Although the researchers examine these connections in the context of lotteries, a similar concept can be applied to the context of adopting a technology for green banking. On this note, this study is going to address the following research questions:

- To what extent the facets of perceived risk can influence the adoption of green banking services among the bank clients of Bangladesh?

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