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Green Banking in Pakistan: A Qualitative Study

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Abstract

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In the face of escalating global warming, the call for transformative action becomes increasingly urgent. As industries and consumers grapple with the imperative of environmental stewardship, the banking sector takes centre stage in the journey towards a sustainable future. Green Banking is a ground-breaking shift aimed at harmonizing financial practices with ecological imperatives. This study delves into the evolving landscape of Green Banking within Pakistan, investigating its impact on customer engagement and institutional viability. Through qualitative research methods, interviews with key stakeholders from leading Pakistani banks unveil a nuanced interplay of challenges and opportunities. While initial reservations and differing viewpoints persist among stakeholders, a growing consensus emerges regarding the inherent benefits of Green Banking. Drawing upon theoretical frameworks including theory of planned behaviour, ecological consumerism, innovation diffusion theory, and prospect theory, our analysis highlights the increasing allure of Green Banking initiatives for Pakistani banks. Despite enduring obstacles, our findings underscore the necessity for Pakistani banks to embrace and advocate Green Banking, not only as a moral obligation but also as a strategic imperative for maintaining market relevance and sustainability.

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INTRODUCTION

Green banking, an umbrella term for sustainable banking practices, is particularly significant in Pakistan due to the country's vulnerability to climate change. Integrating environmental responsibility into all banking operations, including lending and resource management, is crucial for mitigating climate risks in Pakistan. This approach promotes financing for renewable energy and sustainable practices through mechanisms like green loans and green credit financing. Additionally, green banking encourages the adoption of digitization and new technologies to reduce environmental impact, such as implementing paperless transactions. By embracing green financial instruments like green bonds, Pakistan's financial sector not only aids in transitioning to a green economy but also offers potentially higher returns to shareholders. Furthermore, green banking aligns with societal preferences as customers in Pakistan tend to favor banks supporting eco-friendly initiatives. However, despite these benefits, there are risks associated with reduced attractiveness among customers less enthusiastic about green banking practices (Khan et al., 2024). Green banking refers to sustainable and eco-friendly practices adopted by banks to promote a greener future (Manta et al., 2024). To achieve this, banks offer green financial services such as green credit financing and loans to

support environmentally responsible companies and projects. Besides, digitization and new technologies also play a significant role in reducing environmental impact by introducing measures like paperless transactions (Ellahi, et al., 2023). Additionally, the adoption of green financial instruments like green bonds can facilitate the transition to a green economy and provide higher returns to shareholders than conventional bonds. Apart from environmental benefits, green banking also has social advantages for banks, as customers prefer to support banks that promote environmentally friendly initiatives. Nevertheless, implementing green banking practices can lead to reduced attractiveness among customers who may not share the same enthusiasm for eco-friendly initiatives (Vydhyam, and Nair, 2024).

The adoption of new electronic and online services in Green Banking is influenced by several perceived risks, including cyber, performance, financial, human error, and fraud risks (Aslam, and Jawaid, 2023). Nonetheless, there is a temporal risk associated with new technologies and internet-based services in the green banking industry due to potential knowledge gaps in the subject and issues of network connectivity that may cause deferrals or even result in customers abandoning these services. While green bonds have been adopted as a key instrument in Green Banking, they may also lead to green washing and guilt among customers who invest in such companies, thereby reducing the attractiveness of banks that supported them. The lack of a clear definition of what constitutes a green bond also leads to uncertainty among investors, making it difficult for them to identify truly green bonds and reducing the attractiveness of ethical investment. Research shows that green bonds have additional drawbacks for individual investors in contrast to traditional bonds, including liquidity and volatility issues. Additionally, the issuance of green bonds incurs greater costs compared to conventional bonds (Giovanardi, et al., 2023).

Green mortgages are loans associated with green buildings that have met specific energy efficiency requirements and have received an "Energy Star" seal. These loans typically come with lower interest rates than traditional mortgages (Lambert et al., 2023). Nonetheless, research indicates that these environmentally sustainable buildings command higher rents and prices compared to traditional buildings. Similarly, green funds solely invest in companies considered environmentally friendly, resembling green bonds. Although these funds may be appealing to ethical investors, they are associated with higher costs due to the need to investigate and monitor the investment process. During normal market conditions, green funds usually underperform in contrast to the periods of non-crisis. Green stocks, which have limited theoretical underpinning and fewer studies, may also underperform if they present risks and instability, thereby reducing their attractiveness to many investors. Nonetheless, investor's appeal to green stocks can be increased if proven more sustainable as compared to conventional stocks (Chen, et al., 2023). Green Banking is a novel concept that is yet to be extensively researched; however, there are some studies available on different types of financial instruments associated with it (Gulzar et al., 2024). These encompass green funds, green loans, green bonds, green credit financing, green mortgages, green stocks, social and ethical responsibility, and the digitalization of the banking sector. These investigations have delved into diverse subjects such as the performance of green financial instruments, pricing tactics for green financial instruments, and the impacts of green credit financing. There are also some studies available on Green Banking from India and Bangladesh.

Overall, green banking products have some advantages and disadvantages but no such study has been conducted in the Pakistani scenario (Ahmed, and Jafri, 2024). Henceforth, there is a need to fill the research gaps by asking following research question:

- How does the concept of Green Banking affect the attractiveness for customers of Pakistani banks?

Following the Introduction, the structure of the paper unfolds with a Literature Review, which establishes the theoretical framework and reviews prior empirical researches. The Methodology section outlines the research design, philosophy, approach, and details regarding the study sample, data collection methods, and considerations of reliability and validity. Subsequently, the Findings of the study are presented, consisting of interviews conducted with Habib Bank Limited (HBL), Bank Alfalah (BAFL), Allied Bank (ABL), and Askari Bank Limited (AKBL). The Data Analysis and Results section delves into various aspects of Green Banking, including its attractiveness to customers, differences and similarities between banks, and the banks' engagement with unsustainable industries. Finally, the Conclusion summarizes the key findings, implications for theory and practice, and suggests directions for future research.

LITERATURE REVIEW

Theoretical Framework

The Theory of Planned behaviour proposed by Ajzen (1991) is a social-psychological model that aims to anticipate the intentions of eco-friendly consumers by examining their attitudes and customer norms (Ashwini and Aithal, 2023). It posits that an individual's intentions and consequent behavior are shaped by their subjective norms, perceived behavioral control and attitude. However, the model has been criticized for its low correlation between intention and behaviour and lack of consideration for cognitive and affective processes. Understanding customers' behaviour and attitudes towards Green Banking can help explain why banks practice it. Companies can be motivated to adopt eco-friendly practices due to several factors such as the desire to improve their brand and reputation, stakeholder pressure, and the availability of green financial instruments. However, becoming green can be economically difficult for companies, and green washing can result from the pressure to become green.

Customers' perception and attitude towards green financial instruments and products can vary, affecting their attitude towards Green Banking (Burhanudin, et al.,2021). Environmental awareness has led to an increase in the behavior of eco-conscious consumers who prioritize eco-friendly products. These consumers tend to exhibit ecologically conscious behavior, and their level of knowledge regarding general environmental issues and eco-labels plays a significant role in this behavior (Chen, et al., 2023). Furthermore, their attitudes towards the environment often shape their product choices. Green banking and credit financing can attract ecologically conscious customers, encourage companies to go green, and impact the environment. Green bonds can increase a bond's price and reduce costs for issuers, but could result in decreased demand from non-ecologically conscious customers. Customers may leave banks if they finance non-environmentally friendly projects. Digitalization and new technology within Green Banking may not appeal to everyone, particularly older adults

who are less likely to adopt technology. Green washing, which involves falsely presenting a product as eco-friendly, may be problematic for ecologically conscious customers. Finally, the amount of green information provided to buyers can impact the pricing of green bonds (Gatti, et al., 2021). The Diffusion of Innovation theory proposed by Rogers (1962) is a social and psychological theory that provides insights into how individuals adopt new innovations. It aims to predict the rate and pattern of adoption of new products, services, or ideas within a given population. The theory identifies five features that influence the adoption process: relative advantages, compatibility, complexity, observability, and trialability (Mori, and Mlambiti, 2020). Green Banking is a new concept that may vary in acceptance among investors and customers. The complexity and effort required for green credit financing could affect customer attraction. The slow adoption process of green bonds could be attributed to a lack of knowledge in environmental issues. Negative word-of-mouth about a bank's previous involvement in unsustainable financing could affect trust and slow down the adoption of Green Banking. Digitalization and technology risks could also impact customers' attitudes towards Green Banking. This theory can help understand how Pakistani bank customers might adopt the innovation of Green Banking (Bouteraa et al.,2023).

Cumulative prospect theory proposed by Tversky and Kahneman (1992) is a behavioural economic theory that sheds light on how individuals make decisions when faced with uncertainty and risk. The theory posits that people tend to evaluate potential gains and losses relative to a reference point, and not in absolute terms. This reference point serves as a benchmark against which they assess the desirability of an outcome. The theory includes two key features: "diminishing sensitivity" and "loss aversion" (Gao et al.,2021). Green banking involves uncertainty and risk, which can affect customers' decision-making. Other factors like knowledge, fear, rumours, and the opinions of others can also impact decision-making. The article discusses how green banking affects customer behaviour and how banks can use this knowledge to attract more customers. Understanding the behavior and decision-making processes of both regular and eco-friendly customers in uncertain and risky situations can be challenging. However, banks require this knowledge to determine where to focus their green initiatives in the future. This understanding can help banks develop strategies that align with the attitudes and behaviors of their customers and promote the adoption of eco-friendly practices (Sun, et al., 2020).

The impact of green banking on customers is a complex phenomenon that requires thorough understanding. While theories have been proposed to shed light on this impact, they often fall short in fully comprehending the intricacies of customer behavior and attitudes. To stay competitive and attract more customers, banks must delve deeper into understanding how their customers behave and reason, especially in uncertain situations. This understanding is crucial for identifying opportunities and developing effective green initiatives that resonate with customers' attitudes and values. In Pakistan's banking sector, the theories of Planned Behavior, Diffusion of Innovation, and Cumulative Prospect provide valuable insights. Planned Behavior theory helps in understanding customers' attitudes and behaviors towards eco-friendly practices, such as green banking, by exploring subjective norms, perceived behavioral control, and attitudes. Similarly, the Diffusion of Innovation theory predicts the adoption rate and pattern of new concepts like green banking among investors and customers, considering factors like

relative advantages and compatibility. Additionally, Cumulative Prospect Theory sheds light on how individuals make decisions in uncertain and risky situations, guiding banks on how customers evaluate potential gains and losses associated with green banking initiatives. Together, these theories offer a comprehensive framework for understanding and implementing green banking practices in Pakistan's banking industry.

Prior empirical researches

The State Bank of Pakistan's (SBP) role in promoting green banking practices is a focus in literature. Khan et. Al., (2024) argued that despite Pakistan's lower per capita CO₂ emissions, environmental challenges persist. The issuance of Green Banking Guidelines (GBG) in 2017 is pivotal, signaling a shift in the banking industry towards climate resilience. GBG outlines responsibilities, management structures, and frameworks for implementation. Three key themes emerge: environmental risk management, supporting green businesses, and reducing the banking sector's environmental impact. SBP mandates commercial banks to set environmental exposure limits and collaborates with international entities to develop standardized green banking frameworks, demonstrating commitment to environmental sustainability. Aslam and Jawaid (2023) address the gap in literature by examining the impact of green banking adoption practices (GBAP) on banking performance, drawing from the resource-based view theory.

Data from 400 banking personnel in Pakistan were analyzed using partial least square-structural equation modeling. Results show that GBAP positively influences banks' environmental, operational, and financial performance, with the strongest effect on environmental performance, followed by operational and financial performance. This study offers insights for policymakers and the banking sector to implement green banking practices effectively, enhancing banking performance. It underscores the relevance of the resource-based perspective theory in understanding green banking dynamics. The "green" concept has spread globally and reached the banking industry, resulting in numerous societal benefits. In India, Bansal et al. (2023) undertook a study to examine how green banking initiatives can help establish a robust green brand. The results indicated that adopting eco-friendly practices has a noteworthy and favorable effect on the green brand equity of banks operating in India.

The research conducted by Zhang et al. (2021) concentrated on examining the advantages of green credit financing. The study's main objectives were to address three primary questions, including the efficacy of financing methods when carbon emission constraints are in place, the impact of green investment on supply chain activities, and the most suitable financing mode to achieve social welfare. According to the findings, a green investment range can lead to a mutually beneficial outcome for both manufacturers and suppliers. Furthermore, the government can encourage manufacturers to make an advantageous decision by introducing carbon caps. A comprehensive literature review on green finance was conducted by (Debrah et al.,2023), aiming to determine the factors that motivate companies to adopt environmentally sustainable practices. According to the study, the pressure from stakeholders to invest in green initiatives has a favorable impact. However, there are several challenges that non-high performing companies encounter, such as high costs associated with investing in green technology, making it difficult for them to become more environmentally responsible. Gao et al. (2021) examined green bonds in China,

investigating the green incentives within the financial market and the integration of the belt and road policy in the country's green bond evolution. Their findings indicate that emerging markets can employ an effective market-based strategy to tackle climate-related challenges. Additionally, the One Belt One Road Initiative was observed to have boosted the price of green bonds while lowering the issuance costs. In their research, Feng, et al. (2024) examined the attitudes of customers towards non-environmentally friendly projects offered by banks. The study results indicate that feelings of guilt can cause customers to perceive themselves as capable of effecting change and result in negative word-of-mouth. Consequently, customers may attempt to alter their behaviors and take action to address environmental issues, such as contributing to eco-friendly initiatives. Khairunnessa, et al. (2021) conducted research to investigate the appeal of Green Banking in Bangladesh and the factors that influence it, such as digitalization, technology, performance risk, and cyber risk. The findings of the study indicate the importance of strengthening the oversight of green banking services to enhance their appeal and foster a sense of security among the bank's clientele.

METHODOLOGY

Research design

To choose an appropriate research methodology, GHR and Aithal (2022) suggests considering the specific research question and topic. Qualitative data provides detailed information to understand meaning while quantitative data measures in numbers and has a clear structure. For the study's objective of investigating the role of Green Banking in Pakistan and its effects on customers, a qualitative approach was chosen because of the involvement of psychology, social factors, and economy. This makes it difficult to quantify. A possible quantitative approach would be to investigate Green Banking's profitability, but there may be obstacles due to the lack of data and difficulty in pinpointing exact profits from financial instruments (Miah et al., 2021).

Data analysis techniques

In this study, a qualitative analysis approach was employed to analyze the data collected from interviews conducted with representatives from Pakistani banks. Qualitative data analysis techniques were used to identify patterns, themes, and key insights from the interview transcripts. This qualitative analysis provided a deep understanding of stakeholders' perspectives on green banking and sustainability in the banking sector. By solely utilizing qualitative analysis, this study ensures rigor and transparency in the analysis process, thereby enhancing the credibility and validity of the findings.

Research philosophy

The study's research question revolves around the impact of Green Banking on the attractiveness for Pakistani bank customers. An interpretative approach was selected, which concentrates on the perspectives and viewpoints of the study participants, particularly bank customers, to delve into their perceptions and attitudes towards Green Banking. This interpretative approach seeks to comprehend the variations among individuals in their capacities as social participants (Paul 2017).

Research Approach

Study followed an inductive approach (Bingham and Witkowsky, 2021). Inductive approach is typically used in qualitative research strategy. It involves developing theories based on observations of empirical data. The approach samples information from participants and turns it into themes, which are then developed into broad patterns, generalizations, and theories. These are subsequently compared with personal experiences and existing field data. The combination of the inductive approach with qualitative methods facilitates a comprehensive exploration and comprehension of a social phenomenon (Döringer, 2021).

Sample

This study focused on examining the impact of Green Banking on four prominent Pakistani banks: Habib Bank Limited (HBL), Bank Alfalah (BAFL), Allied Bank Limited (ABL), and Askari Bank Limited (AKBL). These banks were selected for their wide recognition and representation of the majority of Pakistani bank customers. Although existing literature on this topic primarily originates from other countries due to a scarcity of studies conducted in Pakistan, the chosen theoretical frameworks have strong theoretical foundations and have been employed in prior research. While the specific sample size for the qualitative method is not explicitly mentioned, the concept of information power underscores the importance of the quality and significance of the information gathered, rather than solely focusing on participant numbers. The data collected from these banks is deemed sufficiently valuable and influential (Alam, 2021).

Regarding the sampling strategy, participants from each bank were selected based on their roles and responsibilities relevant to Green Banking practices. The aim was to ensure diversity in perspectives and expertise related to environmental sustainability initiatives within the banking sector. Additionally, efforts were made to include participants from different hierarchical levels within each bank to capture a comprehensive understanding of Green Banking implementation across various organizational levels. This approach was adopted to enhance the representativeness of the sample and provide a holistic view of Green Banking practices within the selected banks (Sharma and Choubey, 2022).

DATA COLLECTION

This study gathered empirical data through online interviews with four major banks: HBL, BAFL, ABL and AKBL. Zoom and Microsoft Teams-meeting were used to conduct interviews. Open-ended questions were asked and the respondents provided comprehensive and unrestrained answers.

Reliability and Validity

Reliability concerns the extent to which the study can be consistently replicated to yield comparable outcomes while Validity pertains to whether a study accurately assesses its intended variables. Peer-reviewed articles and websites owned by reputable authorities were used in this study's empirical background to increase its reliability. However, a few non-peer-reviewed sources were included, which could reduce the study's validity (Nassaji, 2020). Since Meezan Bank Limited (MEBL), as one of the major banks in the Pakistani market, could not be interviewed, could that lower the validity of the study.

Ethical Approach

The study was used for scientific purposes, and the research methods and results were openly reported. The authors attempted to adhere to the eight demands of good research practice outlined by the Council of scientists, which includes telling the truth, accounting for basic premises, methods, and results, disclosing commercial interests and associations, not making unauthorized use of others' research results, keeping research organized, striving to avoid harm, and being fair in judging others' research. The study was carried out online, and all gathered information was systematically documented. Moreover, all empirical data utilized was publicly accessible, and ethical standards were upheld throughout the data collection process (Nii Laryeafio and Ogbewe, 2023; Vetenskapsrådet, 2017).

Steps were taken to ensure confidentiality and anonymity of participants in the study. Prior to conducting interviews, informed consent was obtained from each participant, detailing the purpose of the study, their voluntary participation, and the assurance of confidentiality. Participants were assured that their identities would remain confidential, and their responses would only be used for research purposes. To further safeguard anonymity, no personally identifiable information was collected during the interviews. Additionally, all data collected was stored securely and accessible only to authorized personnel involved in the research process. These measures were implemented to uphold ethical standards and protect the privacy of the participants throughout the study.

RESULTS

Interview with Habib Bank Limited (HBL)

The interview with the HBL branch manager offers insights into the bank's sustainability approach, termed "sustainable banking" or "sustainable finance" internally. Although unfamiliar with "Green Banking," the manager understands its essence, preferring the terms "sustainable banking" or "sustainable finance" commonly used within HBL. Sustainable banking's definition varies across individuals and divisions, with the focus on HBL's indirect environmental impact through customer consultation, investments, and financing. Despite being a service-oriented company, HBL's direct environmental footprint is relatively small. The manager notices increasing awareness among HBL's customers regarding the bank's sustainable practices, although perceptions differ among customer segments. While larger corporations are more informed about HBL's green offerings, smaller private customers vary in their awareness. HBL doesn't heavily market its green products but introduces them during customer consultations or meetings. Although awareness is growing, it remains relatively low overall, with certain customers, particularly those interested in green savings like green funds, showing specific interest. New regulations have restricted HBL from promoting sustainability extensively, focusing on preventing greenwashing and enhancing transparency. Anticipation of increased customer familiarity with HBL's green banking and financing in the coming years. In terms of technology adoption and digitalization, most of HBL's customers exhibit a positive attitude toward current and future digital advancements. However, some older and younger customers may encounter challenges adapting to these changes. Stressing the importance of Green Banking for major financial sector players like HBL, highlighting the need for them to evolve and embrace sustainability to drive broader

societal change. While Green Banking holds promise to reshape societal structures and foster long-term capitalism, challenges persist, including varying levels of sustainability adoption across countries. Belief in Green offerings enhancing HBL's appeal to both existing and prospective customers, despite potential resistance from some customers. Digitalization has introduced new threats, posing challenges to the financial industry. Furthermore, digitalization has favored competitors, making it challenging for HBL to compete with smaller players in the financial market. Another obstacle to Green Banking is the lack of clear definitions regarding sustainability and what qualifies as "green." However, forthcoming regulations and a standardized approach to addressing sustainability are expected to clarify these definitions.

Interview with Bank Alfalah (BAFL)

The interview with the sustainability coordinators at Bank Alfalah entails overseeing sustainability initiatives, including the implementation of green banking practices. The team is dedicated to driving environmental and social responsibility within the organization, ensuring that sustainable practices are integrated into various facets of the bank's operations. Bank's green banking strategy revolves around assisting customers in adopting sustainable practices and embedding the bank's sustainability policy across all departments and subsidiaries. The team stated that there is a higher demand for green and sustainable products among corporate customers compared to individual customers, with green funds and loans being favored by individuals, while companies prefer green bonds. They emphasize the importance of enhancing customer awareness regarding the Bank's green initiatives and improving the marketing of their green products. Sustainability is no longer solely the responsibility of the Bank's executive management; it is now integrated into every aspect of the bank's strategic directives. While green banking has not posed any specific issues, it has presented challenges, prompting the Bank to focus on enhancing sustainability expertise and awareness throughout the organization.

The team of sustainability coordinators report that Bank's green products are more widely recognized among corporate customers than individual customers. The digitalization of the banking sector has posed challenges for certain customers, and the Bank has made significant efforts to educate and assist customers in utilizing available digital tools, with younger customers exhibiting higher satisfaction with the sector's digitalization compared to older demographics. Although green banking has not led to any particular problems, it has brought about challenges such as the need for enhanced sustainability knowledge and awareness, as well as the requirement for additional technical and digital resources for employees. They further note that the performance and appeal of green products have evolved, with green financial instruments demonstrating superior returns compared to conventional ones. Bank's sustainability policy is now an integral part of the bank's overall strategic directives, and various sectors of society are collaborating towards a more sustainable future. Bank perceives green banking as bringing about significant changes, with each department now actively involved in sustainability-related matters and exhibiting heightened awareness of sustainability issues. Although green banking has not posed any specific problems for the Bank, it has presented challenges that the bank is actively addressing, including the enhancement of sustainability expertise and awareness across the organization.

Interview with Allied Bank (ABL)

The interview features Sustainability Coordinators at Allied Bank. Major duties of the team encompass various aspects of sustainability, including product development, reporting, and overseeing Allied's external and internal managers. Additionally, they coordinate sustainable initiatives within the bank, ensuring their implementation and generating reports. Internally, the bank prefers using terms like "sustainability" rather than "green banking" or "sustainable banking." This choice reflects the challenges in defining "green" and ensuring the eco-friendliness and suitability of products. The bank has notably integrated sustainability into its savings sector, employing sustainable tools to select investments and offer eco-conscious products.

Although the bank is developing green mortgage and green bond products, they haven't been launched yet. Despite customer interest in sustainability, awareness of the bank's green offerings remains low, prompting efforts to improve marketing across different platforms. However, the lack of clear definitions and understanding of "green stamps" among customers poses challenges, given their diverse perspectives on sustainability. The bank's business plan entails establishing local offices throughout Pakistan to cater to customers who prefer physical service for its convenience and security. In areas where digitalization is more practical, the bank is enhancing its digital services. Recognizing the growing significance of sustainability, the bank is bolstering its internal expertise in this domain.

While green products on the credit side are currently limited, customers can invest in green funds within the savings sector. Meeting customer expectations regarding sustainability is crucial, as failure to do so can result in a notable disadvantage. However, some customers have raised concerns about the content and eco-friendliness of the bank's funds, highlighting the challenges in defining and meeting varied sustainability expectations. Overall, the ongoing transition toward sustainability presents challenges for the bank, necessitating time, effort, resources, and investment. Nonetheless, the bank's advancements in green initiatives are enhancing its appeal to customers.

Interview with Askari bank Limited (AKBL)

Askari Bank demonstrates a strong dedication to sustainability, facilitated by its dedicated group sustainability team responsible for overseeing sustainability-related projects and initiatives both within and outside the bank. The team prioritizes ensuring that the bank's operations align with environmentally friendly practices, actively working to minimize emissions and transition operations toward sustainability. The bank's customer base comprises three main categories: larger companies, smaller enterprises, and private individuals. Larger companies typically exhibit a higher level of awareness regarding sustainability matters, often maintaining dedicated departments and managers focused on sustainability issues. Conversely, smaller businesses may lack the same depth of knowledge and expertise in sustainability, although growing pressure to adopt sustainable practices is encouraging a shift toward greener operations. Private customers generally exhibit a degree of sustainability consciousness, yet they may not actively seek out greener financial options such as savings, credits, and investments without prompting from the bank. This lack of engagement could stem from a limited understanding of the banking sector and its association with sustainability.

Askari Bank provides green financial products like green mortgages and green funds, which are known to varying extents among different customer segments. Larger companies, due to their deeper knowledge base, typically express greater interest in these offerings compared to smaller businesses and private individuals, who may have less awareness of the breadth of green products available. Sustainability holds significant importance within Askari Bank, underscored by the recent release of a comprehensive sustainability strategy outlining clear sustainability objectives. The bank's greener initiatives are primarily geared towards meeting customer and investor demands, as well as aligning with global sustainability imperatives.

Addressing concerns about greenwashing in Green Banking, Askari Bank acknowledges the challenges posed by unclear definitions of sustainability. However, the bank anticipates that the forthcoming taxonomy will help mitigate this issue. The broad and varied interpretations of Green Banking and sustainability present ongoing challenges, alongside the endeavor to effectively reduce customer emissions. Nonetheless, bank employees express optimism regarding Askari Bank's potential to contribute to greener initiatives both locally and globally, leveraging its status as a prominent financial institution and investor.

The main findings of the study underscore the growing importance of Green Banking in Pakistan's banking sector. Across various banks such as Habib Bank Limited (HBL), Bank Alfalah (BAFL), Allied Bank Limited (ABL), and Askari Bank Limited (AKBL), there's a notable commitment to sustainability, although terminology preferences vary. While larger corporations generally display higher awareness and interest in green products, efforts are needed to increase awareness among smaller businesses and private individuals. Despite challenges like regulatory constraints and unclear definitions of sustainability, banks are actively developing green products and enhancing their sustainability expertise. Overall, the findings highlight the potential of Green Banking to drive positive environmental impact and foster long-term sustainability within Pakistan's banking industry.

DATA ANALYSIS AND RESULTS

The analysis and discussion revolve around the Theory of Planned Behaviour and its application in the context of green banking and sustainability in Pakistani banks. The theory suggests that norms, attitudes, and knowledge of customers influence their behavioural intentions. The findings show that both Pakistani banks and their customers align with the theory, except for lower green knowledge among private customers. Overall, there is a high level of awareness and interest in greenness and sustainability among the banks and their customers. The banks' influence and power can drive changes in stakeholders' behaviour, but various variables also impact customer behaviour. The proportion of customers prioritizing sustainability and greenness is approximately 50%. Ecologically conscious consumers prioritize green and sustainable products and services, which could lead to an increase in their numbers over time. While banks claim to prioritize sustainability, marketing of green products to smaller customers remains limited. Green financial instruments are as effective as or even outperform conventional ones, making them appealing to ecologically conscious consumers. However, the banks' involvement with industries not associated with sustainability has drawn criticism from these consumers. To attract and retain ecologically conscious

customers, banks need to increase transparency and prioritize sustainability in their operations. The theory of Diffusion of Innovation is utilized to understand the decision-making process involved in adopting the new concept of Green Banking, which shows varying levels of acceptance among both investors and customers. HBL, BAFL, ABL, and AKBL have experienced different adaptation times for their customers, with some finding the changes more challenging due to uncertainty and lack of knowledge about the green products. Green Banking poses opportunities and challenges for companies, as it may lead to increased competitiveness and support but also require significant effort and cost. The banks themselves also face difficulties, including defining sustainability, educating staff, and developing digital tools. To ease customer transition, the banks should promote the advantages of the concept, consider complexity differences, and ensure compatibility with customer needs. Although not all customers are entirely positive about the changes, they recognize the importance of adapting to address climate concerns. Overall, the adaptation process has been gradual, with the attractiveness of the banks aligning with the adoption curve, but the experiences vary for different customer groups and individuals.

The Cumulative Prospect Theory focuses on uncertainty as well as risk, particularly in the realm of Green Banking, a new concept that brings uncertainty about what is considered green and sustainable, and its impact on customers' economy and businesses. Private customers, who lack interest and awareness in green products, might shy away from investments due to fear of risk and unfamiliarity with financial instruments. Increased marketing and information dissemination about the concept are necessary to make it more attractive. Moreover, digital tools and solutions, while integral to Green Banking, pose their own risks, such as fraud and identity hacking, affecting customers' willingness to use them. In summary, risk and uncertainty influence customers' decisions and perceptions of green products and digital tools, making effective communication and education vital for increasing the appeal of Green Banking.

Green Banking among customers

The theory of planned behavior forecasts how customers will behave based on their understanding of sustainability and adherence to social norms. However, despite Pakistanis' general knowledge about sustainability, private customers show limited interest in Green Banking, possibly due to the complexity of financial products and insufficient marketing. The diffusion of innovation theory suggests that customers may be hesitant to adopt green banking solutions if they don't perceive clear advantages or find them compatible with their needs. Moreover, the cumulative prospect theory explains that uncertainty and fear of risk can hinder consumers from making rational decisions towards sustainable investments. To increase interest in Green Banking, banks need to educate customers about the concept and its benefits.

Differences and similarities between banks

Banks show similar commitment to sustainability, with few having limited green products. They prioritize sustainable banking and responsibility, but none use the term "Green Banking." Larger companies are more aware of sustainability compared to private customers. Green products are popular among company customers. Technological changes have mixed reactions, with more integrated companies finding them useful,

while private customers struggle due to lower knowledge. However, customers are adapting. All banks prioritize greenness, leading to increased knowledge among customers and staff. Downsides vary based on size and customer groups. Green financial instruments offer equal or higher returns. Banks not aligning with sustainability face questioning and disapproval. Green Banking is becoming more attractive, but initial implementation is challenging. Determining ecologically conscious customers is difficult due to the lack of studies. Conducting such studies could be valuable for future decisions. Banks made qualified guesses, but no concrete data is available.

Banks and unsustainable industries

Banks are facing resistance from customers and stakeholders due to their involvement with unsustainable industries. While these industries may still be necessary for certain purposes, completely cutting off financial support could have adverse effects in the long run. Instead, banks can work with these industries to encourage sustainable practices and gradually transition towards greener solutions. Increased transparency and adherence to new sustainability criteria can improve the image and appeal of Green Banking concepts.

Green banking's attractiveness towards customers

Initially, Green Banking encountered difficulties as customers were uncomfortable with the changes and unfamiliar with sustainability products. However, over time, the banks have seen an increase in attractiveness due to the growing interest in sustainability. Future customers, especially young adults, find Green Banking appealing. Even banks less integrated into Green Banking have observed increased attractiveness associated with sustainability. Customers appreciate being educated in sustainability, and overall, the banks have benefited from adopting greener practices.

Practicing Green banking

Green Banking has had its pros and cons. It aims to strengthen banks' ability to influence society positively and promote long-term capitalism. By integrating globally, it could reshape parts of the economic system. However, challenges like increased risks, money laundering, and fraud have affected the banking sector. Education and awareness about sustainability are seen as positive by some banks, but it requires significant effort and resources. Despite the downsides, banks like believe that expanding sustainable practices benefits both the bank and society. However, they also face risks like green washing and offering unprofitable mortgages.

CONCLUSION

General Conclusions

Sustainability and green practices are gaining importance in various industries, including banking. Green Banking has emerged as a concept in the Pakistani banking sector, facing challenges and success. While some argue against it due to low returns on green financial instruments, increased transaction costs, and confusion about sustainability, several factors promote it, such as green credit financing, sustainable products, and digitalization. Four Pakistani banks HBL, BAFL, ABL, and AKBL were interviewed about their adoption of Green Banking. All four banks reported that it increased their attractiveness.

The theory of planned behavior suggests that the growing awareness of climate change among Pakistani customers creates new social norms, driving demand for green and sustainable practices in banking. Despite challenges, the concept of Green Banking appears attractive to Pakistani bank customers. Educating and enlightening customers about the concept and addressing perceived risks could further enhance its appeal. Overall, it seems prudent for banks to adopt and develop Green Banking practices to align with customer expectations and societal trends.

Different consumers and customer sections

Green Banking's adaptation time can be influenced by various variables, such as gender, education, and exposure to green advertisements (Malik and Singh, 2022). Analyzing these parameters could provide valuable insights into different customer segments' adoption of green financial products and new technologies. To achieve a greener planet and sustainable living, increasing knowledge and awareness among all customer segments is crucial. However, addressing the issue of disinterest in learning about green products, particularly among certain consumers, remains a challenge that requires immediate attention and consideration from banks, governments, and educational institutions (Sharma and Lal, 2020).

Contribution to theory and practice

This study provides valuable insights for Pakistani banks that are currently undergoing or contemplating a transition towards environmental friendliness and sustainability. It presents a thorough examination of previous research, shedding light on the pros and cons encountered by other banks during comparable transformations. Additionally, it delves into the potential advantages of improving appeal through the adoption of Green Banking principles. To address customer concerns about complex financial products and perceived risks in sustainable investments, banks should prioritize transparency, providing clear information, and personalized advisory services. Robust risk management and partnerships with reputable organizations for certifications can enhance credibility and customer confidence.

SUGGESTIONS FOR FUTURE RESEARCH

The authors found limited research on Green Banking, indicating a lack of awareness about the concept among banks and customers. Further research is needed to understand why private customers have less knowledge about banks' green operations and how individuals can contribute to the environment beyond simple lifestyle changes. Additionally, finding alternative solutions to less sustainable industries, like the oil industry, is crucial, considering potential economic losses and unemployment. The study highlights the evolving landscape of Green Banking in Pakistan, emphasizing the importance of customer awareness and engagement. Key findings reveal a growing interest in sustainability among customers, yet varying levels of understanding persist. For researchers, the study underscores the need for further exploration into customer perceptions and the effectiveness of Green Banking initiatives. Practitioners can benefit from prioritizing transparency, education, and innovation to address customer concerns and drive adoption of sustainable financial products. Overall, the study emphasizes the potential of Green Banking to reshape banking practices towards a more sustainable future in Pakistan.

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