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Original Article

Overview Green Banking at The Islamic Bank of Indonesia: Green Practicess, Green Percieved Value, Green Trust and Green Satisfaction Booster Loyality and Profitability

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ABSTRACT

In the midst of global warming issues, environmental damage also involves economic and social issues, the banking world, especially Islamic banking, can be one of the contributors in encouraging environmentally friendly practices. One of them is by integrating green values in lending practices, investment and green technology called Green Banking. By using a literature review, it can be seen that green banking practices, especially in Islamic banking, have been carried out even though they have not been maximized. Green banking practices in Islamic banking can be a booster in increasing customer loyalty which leads to increased profitability of Islamic banks. By using several green banking indicators, it is possible to measure the extent of the achievement achieved by Islamic banking.

INTRODUCTION

The issue of environmental damage, global warming and waste of resources that is growing at this time encourages the banking industry - including Islamic banking - to carry out environmentally friendly practices (Ozili & Opene, 2021). This is because this sector has a strong and fundamental role in economic growth and is also the main provider of funds for consumers (Ozili & Opene, 2021). Banks can contribute to environmental conservation by integrating green values into their lending and investment practices, addressing customer concerns about environmental stewardship, and using related green technologies (Masukujjaman & Aktar, 2014). Therefore, the greening and digitalization of the banking industry is critical to the survival of a country. This prompted the development of the idea of green banking (GB). It is a banking concept based on the principles of sustainability and focuses on promoting paperless financial services and integrating better structural technologies into banking operations (Bouteraa et al., 2021).

In other words, through technological and operational improvements, as well as changing customer habits, GB is gradually making inroads to promote environmentally friendly practices with a clear vision of future sustainability. The concept is win-win for banks, customers, and the economy as it not only ensures greening but also facilitates enhancement In other words, Green Banking (GB) is gradually making inroads to promote environmentally friendly practices with a clear vision of sustainability through technological and operational improvements and changing customer habits. The concept is beneficial to banks, customers and the economy as it not only ensures improvement but also enables improvement.

In terms of the environment, Islamic banking still lacks public support because demand in this industry is much lower than in conventional banking (Suhartanto et al., 2020), despite the fact that the development of GB practices in the Islamic banking industry is a solution to increase customer participation. Furthermore, by 2030, banks around the world will be more aggressive in promoting green practices through green loans, increasing from US$22 trillion to US$44.5 trillion. This can boost the competitiveness of Islamic banking (Stein, 2018).

Previous study has linked green loyalty of consumers in numerous corporate domains with ecologically friendly activities. Furthermore, there is past research that combines green pleasure, green perceived value, and green trust in mediating the relationship between green loyalty and green activities (Assaker, 2020). Each green has its unique percentage. Green trust is effective in identifying customer trust in green activities implemented by Islamic banks (Wu et al., 2018). Meanwhile, green satisfaction is important for communicating clients' happiness or pleasure with Islamic banks' green practices (Martinez, 2015). Green perceived value is beneficial in explaining the benefits or usefulness of Islamic banks' green efforts (Chen, 2013). Departing from these previous studies can encourage the emergence of analyses of green practices in various industries that investigate both direct and indirect relationships between green loyalty of Islamic banks and green practices via the roles of green satisfaction, green perceived value, and green trust. Muh.Muflih et al. (2023) investigate the connectedness between green variables based on customer views that are important for expanding this industry's market share and community support.

According to Hanif et al 2023, there hasn't been much research on the applicability of GB to profitability in Indonesia. This also motivates them to investigate how much influence GB has on Net Profit Margin (NPM). It is possible to say that the implementation of GB in Islamic banks is good, particularly in funding because Islamic banks are very selective. This is related to Sharia regulations that prohibit financing that is detrimental to the welfare or good of the ummah.

LITERATURE RIVIEW

Green Banking

Green banking has gained significant momentum in recent times (Choudhury et al., 2013). This banking ideology is aimed at eliminating the direct and indirect adverse environmental impacts of banks (Ahmed, 2012; Singhal et al., 2014; Masukujjaman et al., 2016). It is a more focused term that emphasizes environmental considerations and protection of the earth and its ecosystems. The concept of Green Banking is an important subset of Sustainable Banking that involves the promotion of environmentally friendly practices that assist banks and customers in reducing their carbon footprint (SBP, 2015). In contrast, sustainable development, by definition, is not limited to environmental issues but also involves a focus on economic and social issues (Hart & Dowell, 2011; Hart & Milstein, 2003). The word "Green" in Green Banking directs the bank's environmental responsibility and performance in day-to-day banking operations (Shaumya & Arulrajah, 2016). In simple terms, Green Banking has been defined as "banking business conducted in areas and in ways that aid in the reduction of external carbon emissions and overall internal carbon footprint" (Bahl, 2012; Masud et al., 2018). It focuses on reducing the direct and indirect adverse environmental impacts of banks. First, it focuses on the green transformation of the bank's internal operations. This involves efficient ways of utilizing renewable energy sources, automation, and other pollution prevention measures to minimize the carbon footprint of banking operations. Secondly, banks are focusing on environmentally responsible financing by evaluating the environmental risks of projects before approving financing and encouraging green initiatives and projects (Islam & Das, 2013).

Indicator Green Banking

According to Nath et.al (2014), there are several indicators in determining GB which are contained in the concept of Green Coin Rating (CGR) or green coin rating, with the following indicators:

1. Carbon Emissions
   Is the residual fuel produced from internal, external, and jet combustion engines that is discharged through the engine exhaust system. It is expected that businesses and banks can use low carbon technologies, such as using incandescent lights, making building walls weatherproof, using electronics wisely, and considering alternative energy.
2. Green Rewards
   Green businesses were founded with a simple vision: to reward individuals or organizations for sustainable living. In this case, the company has been directly involved in the process of ecosystem conservation.
3. Green Building
   Concepts include sustainable material utilization, connection to the local environment, energy conservation, water use efficiency, and environmental stewardship.
4. Reuse/Recycle/Refurbish
   The use of items that are no longer useful and can be reused as new items for use outside or inside the company.
5. Paper Work or Paperless

Is a policy that aims to reduce the amount of paper used in administrative operations, especially those related to the banking business. This concept includes the use of smartphones in applications, the use of ATMs on computers, and so on.

6. Green Investment

Green investment includes the use of environmentally friendly input materials, low input material intensity, application of the 4R concept (Reduction, Elimination, Recycle, and Return), low energy intensity, employee awareness of the environment, low carbon technology, and the use of alternative energy:

a) Green Marketing
According to numerous literatures, green marketing plays an essential and strategic function in underlying consumer behavior and industry in an effort to improve environmental quality through the creation and consumption of commercial commodities. As a result, being an ecologically responsible organization makes the banking industry more easily accepted by the public.
b) Green Loyalty
Green loyalty, according to experts, is consumer preference for a product in the form of long-term purchases (Ampong et al., 2021). Because it can be defined more precisely, attitudinal loyalty is the best way to explain consumer loyalty (Dandis & Wright, 2020). Experts define this as consumers' proclivity to choose and suggest it to their peers, as well as their loyalty (Suhartanto et al., 2020)
c) Green Marketing
From various literatures, it is explained that green marketing has an important and strategic role in underlying consumer behavior and also industry in an effort to improve environmental quality through the production and consumption of business commodities. Therefore, being an environmentally friendly company loads the banking industry easily accepted by the public.

DISCUSSION

Green Loyalty

According to experts, green loyalty is consumer favoritism for a product in the form of long-term purchases (Ampong et al., 2021). Attitudinal loyalty is the most appropriate to explain loyalty consumers because it can be characterized more specifically (Dandis & Wright, 2020). This is described by experts as the tendency of consumers to choose and recommend it to their friends and also make them loyal (Suhartanto et al., 2020).

Green Perceived Value

Consumer study of the benefits and value of a green product as a parameter of the product's features in comparison to other products (Pahlevi & Suhartanto, 2020). Previous study shows that green perceived value is a predictor of green trust and happiness in business consumers. Customers will have a greater trust in a company if it can deliver environmental advantages to the community.

Green Trust

Experts define it as consumers' willingness to believe in the company's honesty, openness, competence, friendliness, and dependability (Boonlevtvanich, 2019; Muflih, 2021). In a corporate context, green trust can be defined as consumer appreciation for a company's concern for the environment.

Green Satisfaction

A description of the feeling of pleasure towards services or products that match their expectations (Suhartanto et al., 2020) and decide to buy the product.

CONCLUSION

Several studies have concluded that:

a) The use of GB in the banking industry has a positive impact on environmentally responsible financing. Miah et al. examined the factors that affect performance in the banking industry environment in Bangladesh. The results menyatakan bahwa perbankan hijau memiliki dampak yang kuat dan signifikan terhadap kinerja di lingkungan banks.
b) While the objectives of the GB are good, implementation issues and the short timeframe of the regulation make it impossible to ensure its effectiveness. Julia and Kassim examined the financial performance of commercial banks in Bangladesh for the period 2012-2014. By using secondary data from annual reports and sustainability reports and also with the maqashid sharia approach by protecting faith, soul, mind, offspring and property. The result is

that there are no banks that meet the requirements of the green policy but Islamic banks can implement maqashid values such as preserving intelligence, faith and circulation of wealth.

c) Safitri et al., examined the implementation of GB in Indonesia. The research says that banking has a strategic value to achieve development, namely with environmental sustainability in terms of credit assessment. Then the implementation of GB with administrative patterns, associative patterns and evaluative patterns with awareness and responsibility of banks throughout Indonesia towards economic development in Indonesia shows significant results.
d) Muflih et al. examined the green loyalty of Islamic banking customers: Islamic banking: the combined effect of green practices, green trust, green perceived value and green satisfaction. The result is that green practices can directly affect customer green loyalty. Indirectly, this study found that: the single role of satisfaction can link green practices and green loyalty; the serial role of green perceived value and trust can link green practices and green loyalty.
e) Hanif et al., his research on: the effect of Green Banking on Net Profit Margin concluded that if NPM increases, GB also increases. GB is in accordance with the Islamic perspective both in its implementation and assessment. All GB indicators are in accordance with the Islamic perspective as well as the Qur'anic proposition that strengthens about protecting nature and preventing it from damage.

CLOSING

Thus, it can be concluded that green banking in Islamic banks in Indonesia is not only an innovation, but also a real implementation of the principles of sustainability and social responsibility. Through these measures, it is hoped that Islamic banks can continue to play an active role in maintaining ecological balance and supporting sustainable development, in line with sharia values. Thank you for your attention and may these proactive measures be the foundation for creating a greener and more sustainable financial future.

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