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Digital Facades and Eco-Skepticism: How Vague Sustainability Claims Shape User Loyalty in Retail Banking

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Abstract: In this era of heightened stakeholder awareness of environmental issues, organizations are taking extreme measures to earn the trust of environmentally conscious customers. Organizations are engaging in unethical practices that contradict their beliefs and practices. We see this especially in the Retail Banking Sector as banks yield to exaggerated or misleading portrayals of their environmental initiatives. Retail Banks are facing significant distrust and skepticism from customers regarding their green practices. This paper explores the impact of greenwashing practices in the banking sector. It also aims to investigate the importance of transparency and accountability for banks in regaining public trust amid consumer skepticism about green marketing practices.

Keywords: *Digital Façade, Eco-Skepticism.*

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I. INTRODUCTION

As communities and societies become increasingly aware of the impact of human activities on the environment, consumers are seeking products marketed as environmentally friendly. As a result, many banks have begun incorporating green banking into their marketing initiatives. In their efforts to secure business and attract customers, banks are resorting to deceptive practices, leading to eco-skepticism.

Eco-skepticism is the questioning or denial of environmental issues, including consumer skepticism related to green marketing. It is often driven by distrust among customers, fueled by greenwashing, which leads them to doubt the authenticity of 'eco-friendly' product claims. In recent years, as green marketing has become a trend, customers have questioned environmental claims on products, often because of a lack of transparent certification.

Greenwashing in banking is a marketing practice in which a financial institution's environmental, social, and governance (ESG) practices are misrepresented to make it appear more sustainable than it is.

There is no clarity in the universal definition of what constitutes 'Green banking or Green Investment', as many customers, especially in developing countries, have believed that green banking is 'digital' or 'paperless banking'. This leads to customer skepticism about the bank's environmental impact. Skeptics argue that banks are prioritizing marketing over environmental sustainability. In the long run, eco skepticism can act as a barrier to banks adopting products such as green bonds or loans. Banks found to engage in greenwashing face reputational damage, consumer distrust, and increased scrutiny.

Another way to counter skepticism is to enable banks to adopt greater transparency in their ESG reporting and ensure that their claims and investments are verifiable and meet the standards.

Digital transformation in the banking sector offers significant potential for environmental sustainability through paperless banking, e-statements, dedicated green apps, green investment options, and eco-friendly rewards. These practices reduce operational costs and environmental impact while appealing to a growing number of environmentally conscious customers.

II. LITERATURE REVIEW

Aggarwal (2026) concluded that banks are identified as critical players in fostering sustainable investments, even if they are not direct polluters themselves. According to him, major hurdles in India include low levels of public awareness,

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communication barriers among stakeholders, and a lack of effective green branding by financial institutions.

Bukhari, S. S. (2011) concluded that customers are becoming more demanding regarding the environment, while traditional attributes like price and quality remain more influential in purchasing decisions than 'environmental responsibility'. He therefore feels that it is essential for companies to increase their communication with customers regarding their green initiatives.

➢ *Ali, S. M. S., Suraj S, K., Karnik, S., Modi, R. R., Jain, S., & Killedar, M. (2026)*

This study investigates the ecological impact of sustainable digital banking within the Indian financial sector. Utilizing a quantitative approach that surveyed 120 banking professionals and analyzed official sustainability disclosures, the authors demonstrate a direct correlation between digital maturity and environmental performance.

➢ *Kuosuwan, B., Risman, A., Dudukalov, E., & Kozlova, E. (2024)*

Focusing on the Asian market, this research explores how Fintech and digital payment volumes contribute to reducing carbon footprints. The authors argue that the shift from traditional, branch-based banking to digital-first models reduces the need for physical infrastructure, thereby lowering energy consumption related to lighting, heating, and cooling.

➢ *Malik, G., Singh, D., & Kaur, A. (2025)*

This research examines the "paradoxical outcome" of greenwashing, in which well-intentioned green initiatives result in service co-destruction rather than customer satisfaction. The authors recommend that banks pivot toward "service co-creation," which involves transparent and collaborative engagement with customers to build authentic, sustainable relationships.

➢ *Salwan, P., Shandilya, B., Chavali, K., & Pereira, V. (2025)*

The research concludes that authentic sustainability requires a synergy between internal innovative capabilities and external regulatory clarity to prevent banks from drifting toward symbolic, rather than substantive, environmental practices.

III. RESEARCH METHODOLOGY

➢ *Research Design*

The research design used in this study is quantitative, cross-sectional, and correlational. To statistically investigate the connection between Digital Facades and Eco-Skepticism, a quantitative approach was used. Data from several Banking Consumers were collected at a single point in time due to the study's cross-sectional design. The direction and intensity of the association between the two main variables were assessed using correlational analysis.

➢ *Research Objective*

To determine if a retail bank's deployment of a "Digital Facade" (superficial green imagery and vague slogans) significantly predicts or influences general consumer Eco-skepticism.

➢ *Population and Sample Design*

- *Target Population:*

The target population for this study comprises retail banking consumers residing or working within the South Mumbai Region of Maharashtra, India. This demographic represents a highly dense, digitally literate urban hub with active exposure to both digital banking applications and contemporary corporate sustainability campaigns.

- *Sampling Technique and Sample Size:*

To capture a representative cross-section of the population, this study utilized a stratified random sampling technique. The sample framework was stratified by key demographic and institutional criteria, including consumer age groups (e.g., Gen Z and Millennials) and the primary bank's institutional sector (Private Sector vs. Public Sector Banks). A final sample size of N = 30 respondents was successfully compiled. Given the exploratory nature of this research on digital greenwashing dynamics, this sample size provides sufficient statistical power to estimate regression and bivariate correlation models.

➢ *Research Hypothesis*

- H_0: There is no significant relationship between a consumer's perception of a bank's digital sustainability facade and their resulting level of Eco-skepticism.
- H_1: There is a significant positive relationship between a consumer's perception of a bank's digital sustainability facade and their resulting level of Eco-skepticism.

➢ *Data Collection Method*

The primary data for this study were collected using an online structured questionnaire. Since this is a quantitative, cross-sectional study, the data were gathered at a single point in time from retail banking customers in the South Mumbai region.

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IV. RESULTS AND DATA ANALYSIS

➢ *Descriptive Statistics*

Table 1: Demographic Profile of Respondents

Variable	Category	Frequency	Percentage
Age Group	18–25 (Gen Z)	19	63.33
	26–40 (Millennial)	10	33.33
	41–55 (Gen X)	1	3.33
Education Level	Masters	17	56.67
	Bachelors	11	36.67
	Higher Secondary	2	6.67
Employment Status	Employed	16	53.33
	Student	10	33.33
	Self-Employed	2	6.67
	Unemployed	2	6.67
Primary Retail Bank	Private Bank	16	53.33
	Public Bank	14	46.67
App/Portal Usage	Daily	14	46.67
	Rarely	7	23.33
	Weekly	5	16.67
	Monthly	4	13.33

Private banks score significantly higher on the Digital Facade scale (3.41) compared to public banks (2.96, which falls just below the neutral baseline of 3.00). Private sector banks typically invest more heavily in aggressive digital marketing, sleek UI/UX upgrades, and vibrant "green" visual campaigns within their mobile apps.

This aesthetic heavy-handedness actively triggers red flags of corporate greenwashing. Because the facade is perceived as more prominent, Eco-Skepticism among private bank customers reaches its highest level in the study.

Public banks present a completely different dynamic. Their perceived Digital Facade is lower (2.96), indicating that users find their applications less saturated with cosmetic environmental imagery and vague slogans.

Interestingly, even though public banks don't push a heavy visual facade, consumer Eco-Skepticism still sits above the neutral line at 3.17. This implies that while public bank users don't necessarily accuse their banks of over-the-top greenwashing, they remain fundamentally cautious about any corporate sustainability claims.

➢ *Descriptive Analysis of Key Constructs*

Table 2: Descriptive Statistics of DF and ES

Variable	N	Mean	Std Deviation	Minimum	Maximum
Digital Facade (DF) Composite	30	3.20	0.60	1.5	4.0
DF1: Green Imagery in Interface	30	3.10	0.80	1.0	4.0
DF2: Vague Sustainability Slogans	30	3.30	0.70	2.0	5.0
Eco-Skepticism (ES) Composite	30	3.33	0.68	2.0	5.0
ES1: Marketing over Substance Motive	30	3.37	0.89	2.0	5.0
ES2: Skepticism without Certification	30	3.33	0.84	2.0	5.0
ES3: Greenwashing to Target Youth	30	3.30	0.99	1.0	5.0

The composite score for the Digital Facade construct yields a mean of 3.20 and a standard deviation of 0.60. Because the mean is above the neutral baseline of 3.00, it indicates that retail banking customers are highly attuned to superficial green marketing elements in their banks' digital banking channels.

The composite score for consumer Eco-Skepticism is notably higher than that for the digital facade, with a mean of 3.33. This high baseline score points to a consumer base that is protective of its trust and highly cynical of corporate green marketing.

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➢ *Simple Linear Regression*

Table 3 Simple Linear Regression

Tested Hypothesis	Independent Variable(X)	Dependent Variable (Y)	Model Fit Metric(R^2)	Regression Equation& Coefficients	p-value(F-Sig)	Empirical Decision
H_0 Rejected H_1Supported	Digital Facade Composite	Eco-Skepticism Composite	0.3201 (32.0%)	α =1.841 β= 0.481, t=3.626	0.0011 F=13.15	Highly Significant (p<0.01)

➢ *Hypothesis Testing Results*

The linear regression model was used to evaluate the single overarching hypothesis pair (H_0 vs H_1). The independent variable, Digital Facade Composite, was mapped against the dependent variable, Eco-Skepticism Composite.

The statistical output indicates that the null hypothesis is safely rejected (F = 13.15, p = 0.0011). The resulting Coefficient of Determination (R2 = 0.3201) demonstrates that 32% of the variance in a consumer's total Eco-Skepticism is driven entirely by the bank's digital facade. For every 1-unit increase in cosmetic green design tracking on the Likert scale, baseline customer cynicism climbs by 0.481 units (β = 0.481, t = 3.626). Therefore, the alternative hypothesis (H_1) is fully accepted at a 99% confidence level (p < 0.01).

V. DISCUSSION AND INTERPRETATION

The rejection of the null hypothesis proves that decorative green elements inside digital financial channels create a psychological "visual backfire effect". When retail banking clients encounter unbacked visual signals—such as images of leaves, pristine ecosystems, or generic green colour themes—their cognitive defense mechanisms flag them as manipulative corporate tactics.

This narrow suspicion does not remain contained; it quickly spills over into a broader loss of brand trust. Once customers doubt a bank's basic marketing motives, they begin to question its entire environmental policy, data disclosures, and corporate ethics. This theoretical finding directly explains why private-sector banks face a much steeper trust deficit in the descriptive data than public-sector banks do. Private banks invest far more heavily in aggressive digital marketing, sleek user interfaces, and visual green campaigns within their mobile apps. Because their digital facade is significantly more pronounced (μ=3.41), it triggers immediate greenwashing red flags, driving consumer Eco-skepticism to the highest absolute level in the study (μ= 3.48). Public banks, by presenting a simpler interface with less cosmetic padding (μ = 2.96), maintain a lower, more controlled baseline of customer skepticism (μ= 3.17).

➢ *Green Banking Initiatives by Banks*

To bridge the gap between consumer perceptions and institutional realities, this section contextualizes our statistical findings by evaluating the actual sustainable practices implemented by prominent Indian retail banks, illustrating the difference between cosmetic digital marketing and substantive environmental action.

Integration of environmental considerations into banking operations and investment decisions in India is currently moving from voluntary corporate social responsibility to a strict regulatory mandate driven by the Reserve Bank of India.

- Major players like SBI, ICICI, and HDFC have shifted their focus towards sustainable lending.
- Green Deposits: Banks offer specialized FD-like products. Here, the funds are strictly kept aside for renewable energy, clean transportation, and water management.
- SBI and Karur Vysya Bank have launched Green Rupee Term Deposit under the RBI 2023/24 guideline.
- Sector-Specific Financing: Renewable Energy: Banks are increasingly funding solar and wind projects.
- SBI has established CHAKRA to finance sunrise sectors like green hydrogen and electric mobility.
- Green Mortgages: Offering concessional interest rates for homebuyers purchasing IGBC-certified green buildings.
- Retail Solar Loans: Loans specifically designed for residential rooftop solar installations.
- Digital Banking: Shifting to paperless transactions, such as e-statements, and mobile banking to reduce carbon footprints.
- SBI was a pioneer in installing captive windmills to power its operations.
- IndusInd Bank has introduced solar-powered ATMs and has reduced its reliance on the grid.
- Green Hydrogen Financing: Bank of Baroda launched a dedicated scheme to finance Green Hydrogen projects, offering up to 75% debt for group entities. This is a critical sunrise sector for India's Net Zero 2070 goal.
- Kisan Drone Loans: Bank of India now provides credit specifically for farmers to purchase drones for ‘Custom Hiring’ activities. This supports precision agriculture, which is a core component of sustainable organic farming.
- The ICICI Foundation has expanded its support to over 50 wildlife sanctuaries, focusing on afforestation and livelihood support for local communities.
- Axis Bank has shifted to blue finance, recently securing $500 million from the International Finance Corporation to specifically target Blue Projects, including marine ecosystem protection and water conservation.

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- DBS Bank India has implemented carbon-linked Trade Finance, where interest rates are tied to the borrower meeting specific environmental performance targets.
- ICICI and IDFC First Bank provide long-term, low-cost debt specifically for Solar park developers and wind energy projects
- Dedicated loan products such as SBI Green Car Loan offer longer repayment tenures and lower processing fees for electric four-wheelers and two-wheelers.
- Banks are now required to appoint third-party auditors to verify that funds labeled as 'Green' are not being diverted to non-environmental projects.

VI. CONCLUSION

For retail banks, the management takeaway is critical: Financial institutions must immediately pivot away from a "Digital Facade" and move toward "Digital Substance." Marketing departments can no longer rely on aesthetic padding or ambiguous, self-authored text slogans to capture eco-conscious consumers. Because modern banking clients—predominantly digitally literate Millennials and Gen Z—approach corporate green marketing with a high baseline of skepticism, banks must utilize their digital architecture to provide verifiable evidence.

When asked what features would convert their skepticism into genuine trust, the sample overwhelmingly demanded continuous, actionable functionality integrated into the user interface:

- 63.3% request real-time tracking of their personal transaction-level carbon footprint.
- 63.3% require explicit transparency detailing exactly how their cash deposits are being "greened" or allocated to sustainable projects.
- 46.7% demand standard app features that allow them to visually compare their bank's audited environmental metrics directly against competitors.

Ultimately, banks must understand that transparency is the only antidote to skepticism. Investing in real-time ESG app features is no longer just a corporate social responsibility initiative; it is a vital client retention strategy.

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