

# **EFFECT OF GREEN FINANCING ON SUSTAINABLE BUSINESS PERFORMANCE IN NEPAL**

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By

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## **CERTIFICATION OF AUTHORSHIP**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Effect of Green Financing on Sustainable Business Performance in Nepal**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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## TABLE OF CONTENTS

<i>Title Page</i> .....	<i>i</i>
<i>Certification of Authorship</i> .....	<i>ii</i>
<i>Report of Research Committee</i> .....	<i>iii</i>
<i>Approval Sheet</i> .....	<i>iv</i>
<i>Acknowledgements</i> .....	<i>v</i>
<i>Table of Contents</i> .....	<i>vi</i>
<i>List of Tables</i> .....	<i>ix</i>
<i>List of Figures</i> .....	<i>x</i>
<i>Abbreviations</i> .....	<i>xi</i>
<i>Abstract</i> .....	<i>xii</i>
<b>CHAPTER I INTRODUCTION</b> .....	<b>1</b>
1.1 Background of the Study .....	1
1.2 Problem Statement .....	4
1.3 Objectives of the Study .....	5
1.4 Rationale of the Study .....	5
1.5 Limitations of the Study .....	8
<b>CHAPTER II LITERATURE REVIEW</b> .....	<b>9</b>
2.2 Conceptual Review .....	9
2.1.1 Green Finance .....	9
2.1.2 Sustainability .....	12
2.1.3 Historical Background of Green Finance .....	13
2.1.4 Green Financing Instruments .....	14
2.1.4.1 Green Funds and IPO: .....	14
2.1.4.2 Green Bonds .....	16
2.1.4.3 Green Loans .....	16
2.1.4.4 Green Insurance .....	17
2.1.4.5 Green Ratings .....	17
2.2 Theoretical Review .....	18
2.2.1 The Theory of Green Growth .....	18

2.2.2 Green Finance Theory.....	19
2.2.3 Legitimacy Theory.....	20
2.2.4 Institutional Theory.....	21
2.3 Empirical Review.....	23
2.4 Research Gap .....	40
<b>CHAPTER III RESEARCH METHODOLOGY.....</b>	<b>42</b>
3.1 Research Design.....	42
3.2 Population and Sample, and Sampling Design .....	42
3.3 Nature and Sources of Data and the Instrument of Data Collection.....	42
3.4 Method of Analysis.....	42
3.4.1 Mean .....	43
3.4.2 Standard Deviation (S.D.).....	43
3.4.3 Correlation Analysis .....	44
3.4.4 Regression Analysis.....	44
3.5 Research Framework and Definition of Variables.....	45
<b>CHAPTER IV RESULTS AND DISCUSSION .....</b>	<b>48</b>
4.1 Results.....	48
4.1.1 Demographic Profile of Respondents .....	48
4.1.2 Reliability Test.....	50
4.1.3 Normality Test .....	51
4.1.4 Descriptive Statistics.....	51
4.1.4.1 Summary of Descriptive Statistics.....	51
4.1.4.2 Descriptive Study of Green Financing (GFI).....	53
4.1.4.3 Descriptive Study of Green Investment (GIN) .....	54
4.1.4.4 Descriptive Study of Corporate Social Responsibility (CSR) .....	56
4.1.4.5 Descriptive Study of Sustainable Business Performance (SBP).....	57
4.1.5 Correlation Analysis .....	58
4.1.6 Regression Analysis.....	59
4.1.7 Major Findings.....	61

4.2 Discussion .....	64
<b>CHAPTER V SUMMARY AND CONCLUSION .....</b>	<b>67</b>
5.1 Summary .....	67
5.2 Conclusion .....	69
5.3 Implications.....	70
5.3.1 Theoretical Implications .....	70
5.3.2 Practical Implications .....	71
<b>REFERENCES</b>	
<b>APPENDICES</b>	

## LIST OF TABLES

<b>Tables</b>	<b>Page</b>
Table 1 Summary of Empirical Review.....	34
Table 2 Demographic Profile of Respondents .....	49
Table 3 Reliability Test.....	50
Table 4 Normality Test .....	51
Table 5 Summary of Descriptive Statistics.....	52
Table 6 Descriptive Study of Green Financing (GFI) .....	53
Table 7 Descriptive Study of Green Investment (GIN) .....	55
Table 8 Descriptive Study of Corporate Social Responsibility (CSR) .....	56
Table 9 Descriptive Study of Sustainable Business Performance (SBP) .....	57
Table 10 Correlation Matrix .....	58
Table 11 Model Summary of Regression Model.....	59
Table 12 ANOVA Table of Regression Model .....	60
Table 13 Beta Coefficient of Regression Model.....	60

## LIST OF FIGURES

<b>Figure</b>	<b>Page</b>
Figure 1 Research Framework of this Study.....	45

## **ABBREVIATIONS**

ANOVA	:	Analysis of Variances
CSR	:	Corporate Social Responsibility
DEA	:	Data Envelopment Analysis
E	:	Error Term
SBP	:	Sustainable Business Performance
GFI	:	Green Financing
GIN	:	Green Investment
CSR	:	Corporate Social Responsibility
N	:	Number of Responses
S.D.	:	Standard Deviation
VIF	:	Variance Inflation Factor
SEM	:	Structural Equation Modeling
BFI	:	Banks and Financial Institutions
SAARC	:	South Asian Association for Regional Cooperation
GCP	:	Green Credit Policy
EPI	:	Environmental Performance Index
PES	:	Payment for Ecosystem Services
NRB	:	Nepal Rastra Bank
LEED	:	Leadership in Energy and Environment Design
GRIHA	:	Green Rating for Integrated Habitat Assessment
IPO	:	Initial Public Offerings
SDG	:	Sustainable Development Goals

## ABSTRACT

This study examines the impact of green financing, green investment, and corporate social responsibility (CSR) on sustainable business performance in Nepal. The primary objective of this study is to assess public awareness of these concepts, analyze their relationship with business performance, and evaluate the impact of green financing on sustainability.

The research design employs a combination of descriptive and causal-comparative approaches. The descriptive design evaluates public awareness of green financing, green investment, and CSR using descriptive statistics. Concurrently, the causal-comparative design assesses the impact of green financing on sustainable business performance. The study focuses on the Kathmandu Valley, with a sample size of 400 selected through convenience sampling. Data is collected via a structured questionnaire based on prior research and expert feedback, utilizing a five-point Likert scale.

Data analysis is performed using Microsoft Excel and SPSS, with descriptive statistics summarizing the dataset and correlation analysis examining variable relationships. Multivariate regression models assess the impact of green financing, green investment, and CSR on sustainable business performance, following the research framework, which positions these factors as independent variables influencing the dependent variable.

The findings reveal that green financing, green investment, and CSR positively impact sustainable business performance in Nepal. Green financing and green investment show moderate positive correlations, while CSR demonstrates a strong positive correlation with business performance. These relationships are statistically significant, indicating that all three variables are crucial for enhancing business sustainability.

The study underscores the importance of integrating green financing, green investment, and CSR into business strategies to improve sustainable performance. Theoretical contributions include supporting frameworks linking environmental and social practices to business success. It is recommended that businesses and policymakers focus on promoting and implementing these practices to drive sustainable growth.

**Keywords:** *Green Financing, Green Investment, Corporate Social Responsibility, Sustainable Business Performance, Green Bonds*

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Businesses today are increasingly focused on enhancing their environmental footprint to create more value for their organizations (Muganyi et al., 2021). Rural banks are now leveraging their diverse resources to compete by embracing green financing, aiming for sustainable growth and performance (Shen et al., 2021). As part of this trend, banks are integrating green finance concepts into their policies and operations, expecting sustainable growth (Zhang et al., 2022). However, there's a gap in understanding among banks regarding the full value of green finance for their sustainability (Zhang et al., 2022).

Green finance has emerged as a strategic focus at the policy and operational levels within banks, seen as a means not only to enhance sustainability but also to address financing challenges faced by eco-friendly companies (Zhang et al., 2022). Research indicates that green finance improves the efficiency of financial resource allocation, guiding funds from high-energy consumption to eco-friendly industries, thereby enhancing sustainability (Mngumi et al., 2022; He et al., 2019). Regulators are urged to prioritize resource allocation and guide manufacturing firms toward energy conservation and environmental protection (Liu et al., 2019; Chen et al., 2021). Green finance optimizes resource allocation and consumption behavior, thus promoting organizational adjustments and improving sustainability (Li and Chen, 2020; Sadiq et al., 2021).

Despite the increasing adoption of green finance by rural banks, there's concern about the role of management commitment, particularly in achieving net-zero objectives and fostering sustainability (Zhang et al., 2022). Management commitment is seen as integral to bridging the gap between green financing and sustainability (Haldorai et al., 2022). Rural bank management plays a crucial role in ensuring consistent adoption and application of green finance principles within their operations, often with support from the board of directors (Kumari et al., 2022). This commitment translates into the provision of various green finance products such as retail finance, asset management, investment finance, and insurance for green projects. Hence, the responsibility for implementing green finance activities lies not solely with the firms but also with the commitment of their management, underscoring its importance in strengthening the relationship between green finance and sustainability (Zhang et al., 2022).

With the increasing recognition of the adverse impacts of human activities on the environment, including air and water pollution, resource depletion, and climate change, organizations worldwide are facing mounting pressure to prioritize environmental preservation (Zheng et al., 2021). The year 2018 marked the warmest on record, highlighting the urgency for organizations to address environmental challenges and focus on sustainability efforts (Ying et al., 2021). In response to this imperative, 'green' initiatives have gained momentum among industrial professionals and academics, driven by the competitive landscape of global business (Kraus et al., 2020). Banking institutions, both in developed and developing nations, play a pivotal role in fostering environmental sustainability and combating climate change (Zheng et al., 2021).

The convergence of economic progress, environmental sustainability, and social cohesion is increasingly recognized as essential for holistic development (Hernández et al., 2020). Corporate Social Responsibility (CSR) practices are integral to conducting business in a manner that considers environmental, social, and economic dimensions (Kraus et al., 2020). Green finance (GF) represents a contemporary economic phenomenon that aligns economic and social benefits with environmental progress (Wang & Zhi, 2016). It serves as a catalyst for economic growth and long-term development, emphasizing the significance of social responsibility and environmental conservation (Liu et al., 2020). Additionally, green innovation (GI) is identified as a crucial determinant of sustainability, environmental performance, and firm success (Chen et al., 2021). Environmental performance (EP) encompasses the ecological operations and products of an organization, contributing to its overall sustainability effectiveness (Klassen & Whybark, 1999). Thus, it can be inferred that the combined influence of CSR, GF, and GI plays a pivotal role in securing the sustainability of companies and facilitating long-term economic development at the national level.

In the pursuit of sustainable development, organizations must recognize the interconnectedness of economic, environmental, and social dimensions (Hernández et al., 2020). Integrating CSR principles into business strategies not only fosters ethical practices but also enhances brand reputation and stakeholder trust (Ansong, 2017). Green finance serves as a mechanism to channel investments towards environmentally sustainable projects, driving economic growth while minimizing environmental harm (Al-shuaibi, 2016). Moreover, green innovation fosters the development of eco-friendly technologies and practices, bolstering environmental performance and competitive advantage (Qiu et al.,

2020). By leveraging these interconnected elements, organizations can navigate towards a sustainable future, achieving economic prosperity while safeguarding environmental and social well-being.

Nepal, as a developing country, exemplifies a significant budget gap that necessitates extensive action (Mishra & Aithal, 2021). Given its small size and diverse ecology, Nepal holds tremendous potential for green financing, particularly in alignment with the Kyoto Protocol, as it possesses numerous raw materials that could be utilized for industry (Randall, 1987). The natural ecological factor significantly influences industrial growth globally, as industries rely on environmental resources for operations, and waste disposal processes directly impact the environment (Sharma & Choubey, 2022). Presently, green financing is gaining momentum worldwide as a strategy to transition towards a low-carbon economy, despite the challenges posed by the COVID-19 pandemic.

In recent years, there has been a growing global concern to achieve economic growth while ensuring the sustainability of natural resources, building climate resilience, and reducing carbon emissions. Green financing emerges as a critical concept in addressing these concerns, as it offers both economic and sustainable benefits for companies (Mishra & Aithal, 2022). The concept of green financing, once considered niche, is now perceived as a silver lining not only for individual businesses but for entire industries, fostering general green growth (Mishra & Aithal, 2022). Despite differing perspectives among policymakers and development experts on the definition and implications of green financing, its importance remains paramount, particularly in the face of rapid climate change and unsustainable development (Mishra & Aithal, 2022).

In the context of Nepal's vulnerability to climate change and its socioeconomic challenges, the transition to a green economy presents a promising pathway for sustainable development (Tara et al., 2019). However, implementing green economic policies and initiatives in Nepal is not without its obstacles, including capacity building, technology transfer, and climate change mitigation (Nath et al., 2014). Nonetheless, through multidisciplinary planning, interdisciplinary implementation, and effective monitoring and evaluation, Nepal can overcome these challenges and thrive sustainably (Mishra & Aithal, 2022). International support and collaboration, coupled with strategic policies and frameworks, are essential for Nepal to harness the potential of green financing and achieve its sustainable development goals (Yadav & Pathak, 2013).

This study focuses on the impact of green financing, green investment, and corporate social responsibility (CSR) on sustainable business performance in Nepal. As the world grapples with the challenges of climate change and environmental degradation, the role of financial mechanisms in promoting sustainability has become increasingly crucial. Green financing and investment are emerging as pivotal strategies for fostering environmentally responsible business practices. This research aims to explore how these financial instruments, alongside CSR initiatives, contribute to the sustainability and performance of businesses in Nepal. By examining the interplay between these factors, the study seeks to provide valuable insights into how businesses can leverage green finance and investment to achieve long-term sustainability and competitiveness. Additionally, it will highlight the importance of CSR in aligning business operations with broader environmental and social goals, ultimately contributing to a more sustainable economic future for Nepal.

## **1.2 Problem Statement**

In Nepal, the progression of green financing is primarily driven by regulatory initiatives, with some banks and financial institutions beginning to show interest through partnerships with global organizations and the development of green financing tools. However, there are significant challenges hindering the full realization of green financing's potential in contributing to sustainable development (Mahat et al., 2019). One of the primary issues is the need for stronger governmental support aligned with Nepal's Nationally Determined Contribution (NDC) to the Paris Agreement. While the "Guidelines on Environmental and Social Risk and Management for Banks and Financial Institutions (ESRM)" adopted by Nepal Rastra Bank (NRB) provide a framework, greater collaboration and engagement from the business community, entrepreneurs, and industry leaders are essential for effective implementation (Mishra & Aithal, 2022).

Another challenge lies in the unique energy consumption pattern of Nepal, which leans towards green energy sources compared to other countries in the region (Mishra & Aithal, 2022). While this presents a favorable starting point, it also underscores the need for tailored strategies and initiatives to harness and further develop green financing opportunities in the country (Mahat et al., 2019). Additionally, despite increasing awareness and interest in green financing, there is still a lack of comprehensive understanding and capacity among stakeholders regarding its potential impact on sustainable development.

Furthermore, the complexity of the global financial landscape and the evolving nature of environmental and social risks pose additional hurdles. Nepal's financial institutions require robust frameworks and mechanisms to effectively manage these risks while maximizing the benefits of green financing for sustainable development. Addressing these challenges requires concerted efforts from various stakeholders, including policymakers, regulatory bodies, financial institutions, businesses, and civil society organizations (Mishra & Aithal, 2022). Streamlining regulatory frameworks, enhancing capacity building initiatives, and fostering partnerships between public and private sectors are crucial steps towards overcoming the challenges and realizing the full potential of green financing in advancing sustainable development in Nepal. The research questions of this study are as follows.

1. Are the public aware of the green financing, green investment, and corporate social responsibility in Nepal?
2. Is there any relationship between green financing and sustainable business performance in Nepal?
3. What is the impact of green financing and sustainable business performance in Nepal?

### **1.3 Objectives of the Study**

The objective of this study are as follows.

1. To identify the public aware of green financing, green investment, and corporate social responsibility in Nepal.
2. To analyze any relationship between green financing and sustainable business performance in Nepal.
3. To examine the impact of green financing on sustainable business performance in Nepal.

### **1.4 Rationale of the Study**

This study is essential due to its multifaceted benefits and implications for various stakeholders, including government, policymakers, investors, bankers, entrepreneurs, researchers, students, and academicians. Green financing, which refers to financial investments in projects and initiatives that support environmental sustainability, has gained significant traction globally. Understanding its impact on sustainable business performance in Nepal provides a comprehensive view of how economic growth can align with ecological

preservation. This study is particularly relevant for Nepal, a developing country with unique environmental and economic challenges and opportunities.

Government and policymakers play a crucial role in shaping the economic and environmental landscape of a country. The study on the effect of green financing on sustainable business performance in Nepal provides essential insights for formulating effective policies that promote environmental sustainability and economic growth. Understanding how green financing mechanisms can drive sustainable business practices will enable policymakers to design incentives and regulations that encourage businesses to adopt eco-friendly operations. This, in turn, supports national goals related to climate change mitigation, energy efficiency, and sustainable development. By integrating green finance into national policies, the government can lead by example and foster a culture of sustainability that benefits the entire country.

For investors, the rationale behind studying the effect of green financing on sustainable business performance lies in the potential for better returns and reduced risks. Green financing aligns investment portfolios with long-term environmental sustainability, which can lead to more stable and resilient financial returns. Investors are increasingly aware of the risks associated with climate change and environmental degradation, such as asset stranding and regulatory changes. By investing in green projects and companies committed to sustainability, investors can mitigate these risks while contributing to positive environmental outcomes. Moreover, as consumer demand for sustainable products and services grows, businesses that prioritize green practices are likely to see enhanced financial performance, making them attractive investment opportunities.

Bankers have a significant interest in the intersection of green financing and sustainable business performance. By understanding the impact of green financing, banks can develop and offer financial products that support sustainable business practices, such as green loans, bonds, and mortgages. This not only helps banks diversify their product offerings but also positions them as leaders in sustainability, attracting environmentally-conscious clients. Additionally, integrating green financing into banking practices can enhance risk management by reducing exposure to environmentally harmful projects that may face regulatory penalties or reputational damage. Banks that champion green financing can also benefit from governmental incentives and partnerships aimed at promoting sustainable development.

Entrepreneurs are at the forefront of innovation and business development, and green financing offers them unique opportunities to integrate sustainability into their business models. The study on green financing and sustainable business performance provides entrepreneurs with valuable insights into the benefits of adopting green practices, such as increased efficiency, cost savings, and enhanced brand reputation. Access to green financing can enable entrepreneurs to invest in renewable energy, energy-efficient technologies, and sustainable materials, which can differentiate their businesses in a competitive market. Furthermore, understanding the impact of green financing can help entrepreneurs navigate regulatory landscapes and secure funding from environmentally-focused investors and institutions.

For researchers and academicians, the study on green financing and sustainable business performance in Nepal offers a rich field of inquiry that can contribute to the broader understanding of sustainable finance and development. This research can fill gaps in the existing literature, provide empirical evidence on the benefits and challenges of green financing, and inform future studies on related topics. Academicians can use the findings to develop curricula that educate future business leaders and policymakers on the importance of sustainability and green finance. Additionally, this research can foster interdisciplinary collaboration, combining insights from economics, environmental science, and business studies to develop comprehensive solutions to sustainability challenges.

Students, particularly those studying finance, business, and environmental sciences, can greatly benefit from understanding the effects of green financing on sustainable business performance. This knowledge equips them with the skills and perspectives needed to drive sustainability initiatives in their future careers. By learning about green financing, students can become advocates for sustainable practices within their organizations and communities. Furthermore, exposure to real-world case studies and empirical data on green financing helps students grasp the practical applications of their academic studies, preparing them to address complex challenges related to climate change and sustainable development in their professional lives.

### **1.5 Limitations of the Study**

The limitation of study are as follows.

- The study relies heavily on primary data collected through structure questionnaire surveys. This may introduce biases based on respondents' perceptions and understanding, potentially affecting the reliability and accuracy of the results.
- The study examines a limited set of variables due to the nascent stage of green financing in Nepal. Important variables that could influence sustainable business performance might be overlooked, leading to an incomplete analysis of the topic.
- The sample size for the study is relatively small, which may not be representative of the entire business landscape in Nepal. This limitation could impact the generalizability of the findings to all sectors and regions within the country.
- The study exclusively focuses on Nepal, which means the findings may not be applicable to other countries with different economic, environmental, and regulatory contexts. Comparative analysis with other nations is not within the scope of this research.
- Green financing is a relatively new concept in Nepal, resulting in a scarcity of existing literature and research on the topic. This limitation makes it challenging to build a comprehensive theoretical framework and draw parallels with international best practices.

## **CHAPTER II**

### **LITERATURE REVIEW**

The literature review of this study provides a comprehensive examination of related concepts, terms, previous articles, journals, theories, and identified research gaps in the field of green finance and sustainable business performance. It synthesizes insights from various scholarly works that explore the impact of green financing, green investment, and corporate social responsibility (CSR) on sustainable development outcomes across different contexts. The review identifies key theoretical frameworks and empirical findings, highlighting both established knowledge and gaps in current research. By integrating these perspectives, the literature review sets the foundation for understanding the complex interplay between financial practices, environmental stewardship, and economic sustainability, guiding the study towards addressing critical research questions within this dynamic and evolving field.

#### **2.1 Conceptual Review**

The conceptual review of this study delves into foundational understandings of green finance, corporate social responsibility (CSR), green investment, and sustainable business performance. It explores how green finance encompasses financial instruments and practices aimed at promoting environmental sustainability within economic activities. Corporate social responsibility is examined as a company's ethical obligation to operate responsibly towards society and the environment. Green investment is discussed in terms of financial allocations into projects that support environmental goals. Sustainable business performance is conceptualized as the ability of organizations to achieve long-term economic success while minimizing negative environmental impacts. This conceptual framework provides the theoretical underpinning for analyzing the interrelationships and impacts of these concepts on business practices and environmental outcomes.

##### **2.1.1 Green Finance**

Green finance, a term increasingly discussed in global financial and environmental policy circles, encompasses a broad array of financial instruments and practices aimed at promoting sustainable development and mitigating climate change impacts. Over the past decade, various definitions and perspectives have emerged, reflecting the multifaceted nature of this concept and its evolving role in the global economy (Lee, 2020).

At its core, green finance refers to financial investments and services that prioritize environmental sustainability. Guild (2020) define it as encompassing investments in initiatives, projects, and policies that contribute to a sustainable economy, extending beyond traditional climate finance to include biodiversity conservation, energy efficiency, and other environmentally beneficial activities. This expansive view underscores its potential to drive transformative change across sectors.

Bloomberg New Energy Finance (Cui et al., 2020) expands on this definition by incorporating costs associated with project preparation and land acquisition into the concept of green finance. This broader perspective acknowledges the financial complexities involved in implementing sustainable projects and highlights the need for comprehensive financing strategies.

From a regulatory standpoint, PricewaterhouseCoopers (Volz et al., 2015) focuses on the role of financial institutions in integrating environmental criteria into lending decisions and risk management processes. This definition emphasizes the importance of aligning financial incentives with environmental goals, thereby fostering the growth of green industries and technologies.

Volz et al. (2015) emphasize the role of environmental screening and risk assessment in defining green finance across investment portfolios. This approach ensures that investments not only meet sustainability standards but also contribute positively to environmental outcomes, such as reducing carbon emissions or enhancing resource efficiency.

Lindenberg (2014) takes a broader view by including public policies that support green investments and mitigate environmental impacts. This holistic perspective recognizes the interconnectedness between financial markets, regulatory frameworks, and policy incentives in driving sustainable development initiatives.

Recently, the Guild (2020) differentiated between green financing, which targets specific environmental and climate challenges, and greening finance, which involves integrating sustainability principles into mainstream financial practices. This distinction reflects growing efforts to mainstream environmental considerations within the broader financial system, ensuring that sustainability criteria are integrated into investment decisions and risk management strategies.

Despite its conceptual clarity and growing popularity, green finance faces several challenges in practice. Information asymmetry remains a significant barrier, making it difficult for investors to accurately assess the environmental risks and returns associated with green investments. Ambiguities in definitions and classifications of green financial products further complicate efforts to standardize and scale up green finance initiatives across different markets and jurisdictions (Lee, 2020).

Moreover, the level of political commitment and regulatory support varies widely, influencing the adoption and effectiveness of green finance policies globally. In some regions, inadequate regulatory frameworks and inconsistent policy incentives hinder the flow of capital towards sustainable projects, limiting the potential impact of green finance on environmental outcomes (Lee, 2020). In emerging markets, accessing capital for green initiatives is less problematic compared to structuring finance and identifying viable projects that meet both financial and environmental criteria. Guild (2020) underscores the importance of tailored financial mechanisms and supportive regulatory environments in facilitating green finance in developing economies, where sustainability challenges often intersect with broader economic and social development goals.

Despite these challenges, the role of green finance in achieving global sustainability goals cannot be overstated. By mobilizing private capital towards renewable energy, clean technologies, and sustainable infrastructure projects, green finance contributes to economic growth while reducing environmental impact and enhancing resilience to climate change (Lee, 2020). Looking ahead, the future of green finance hinges on overcoming these barriers through enhanced transparency, standardized metrics for measuring environmental impact, and strengthened regulatory frameworks that incentivize sustainable investments. Collaboration between governments, financial institutions, and the private sector will be crucial in scaling up green finance initiatives and aligning them with international sustainability targets, such as the United Nations Sustainable Development Goals (SDGs). Overall, green finance represents a pivotal tool in advancing environmental sustainability and promoting inclusive economic growth worldwide. By integrating environmental considerations into financial decision-making processes and fostering innovation in green financial products and services, green finance can help build a more resilient and sustainable future for generations to come (Cui et al., 2020).

### **2.1.2 Sustainability**

Sustainability has evolved from being perceived as a passing trend to becoming a critical imperative for businesses worldwide. It addresses the urgent need to ensure that present actions do not compromise the ability of future generations to meet their own needs (Lee, 2020). This concept gained prominence which defined sustainable development as meeting the needs of the present without compromising the ability of future generations to meet their own needs (Lee, 2020).

The integration of sustainability into business practices has grown significantly, evidenced by the substantial rise in sustainable investing, which totaled \$35.3 trillion across major markets globally in 2020 (Cui et al., 2020). This surge highlights a shift towards incorporating environmental, social, and governance (ESG) criteria alongside traditional financial metrics in investment decision-making.

In finance, sustainability has become integral to corporate strategies, bridging the gap between financial performance and societal impact (Soppe, 2009). It challenges the traditional view that profit maximization for shareholders is the sole purpose of a corporation (Friedman, 1970), emphasizing instead the creation of value for a broader range of stakeholders, including employees, communities, and the environment.

Corporate Social Responsibility (CSR) and Socially Responsible Investments (SRI) play pivotal roles in this paradigm shift. CSR involves businesses contributing positively to societal and environmental goals beyond economic interests (Kakabadse & Morsing, 2006), aligning with growing expectations for corporate accountability and ethical behavior.

Socially Responsible Investing integrates financial objectives with ESG concerns, allowing investors to support sustainable practices while achieving financial returns (Eurosif). This approach underscores the alignment of investment decisions with ethical values, promoting responsible financial stewardship (Lee, 2020). Understanding firms' motivations for sustainability efforts is crucial. Research indicates that CSR initiatives can enhance competitive advantage, reputation, and customer satisfaction (Flammer, 2021). These factors contribute to improved overall performance and resilience against environmental and social risks.

However, the relationship between sustainability and financial performance is complex and context-dependent. While some studies suggest positive correlations between CSR

activities and profitability (Lee, 2020), others argue for potential trade-offs between social responsibility and financial returns (Aupperle et al. 1985). The variability in findings underscores the need for nuanced approaches in integrating sustainability into business strategies.

Debates persist regarding the impact of ESG factors on financial performance. Research findings vary, with some studies highlighting positive associations between environmental performance and profitability (Aupperle et al. 1985), while others suggest negligible or negative correlations. Governance factors within ESG frameworks, such as board diversity and transparency, have been shown to positively influence corporate performance (Orazayeva et al., 2021).

Sustainability has become fundamental to modern business practices, reshaping organizational objectives and responsibilities. The shift towards integrated sustainability strategies reflects broader societal expectations for ethical business conduct and environmental stewardship (Lee, 2020). As businesses navigate this evolving landscape, balancing immediate financial imperatives with long-term sustainability goals remains a key challenge, ensuring that economic growth aligns with environmental sustainability and social equity.

### **2.1.3 Historical Background of Green Finance**

The United Nations Environment Program Finance Initiative (UNEP FI) was established in 1992 as a collaborative effort between UNEP and a consortium of commercial banks. Its primary objective was to raise awareness and integrate environmental considerations into the banking industry, marking an early concept of what would later evolve into Green Finance. This initiative played a pivotal role in pioneering the notion of aligning financial services with sustainable economic development goals (Mohd & Kaushal, 2018). Initially starting with a group of commercial banks, UNEP FI has since expanded its scope to include a wide array of financial institutions such as investment banks, insurers, and fund managers. The initiative operates through close dialogues and partnerships aimed at fostering environmental stewardship within financial practices. By integrating environmental considerations into existing financial services, UNEP FI aims to promote sustainable finance practices globally (Mohd & Kaushal, 2018).

Currently, UNEP FI boasts a significant global footprint with over 190 financial institutions from more than 40 countries signing onto its statement. These signatory institutions not

only commit to incorporating environmental principles into their operations but also gain access to a network that facilitates learning and sharing of best practices. This network enables financial institutions to stay abreast of the latest trends in green finance and seize opportunities for sustainable growth (Mohd & Kaushal, 2018).

Over the years, UNEP FI has been instrumental in shaping the sustainable finance agenda, influencing policies, and encouraging innovation in financial products that support environmental sustainability (Mohd & Kaushal, 2018). By leveraging its collective expertise and partnerships, UNEP FI continues to drive progress towards a financial sector that not only contributes to economic prosperity but also safeguards the planet's natural resources for future generations

#### **2.1.4 Green Financing Instruments**

Mishra and Aithal (2022) emphasize the necessity of implementing various green financial instruments and efforts to secure funds amounting to USD 46 billion for Nepal by 2030, as estimated by the International Finance Corporation (IFC, 2017). They underscore the imperative role of these instruments in fostering environmentally friendly activities such as renewable energy, energy efficiency, pollution control, biodiversity conservation, and sustainable use of natural resources. This strategic approach not only supports economic stability but also promotes overall sustainable growth, aligning financial practices with environmental governance principles to achieve long-term environmental and economic benefits (Mishra & Aithal, 2022).

##### **2.1.4.1 Green Funds and IPO:**

Mishra and Aithal (2022) highlight a significant global trend where private equity firms and major industries are increasingly investing in green funds to support sustainable development initiatives worldwide. These funds play a crucial role in financing projects aimed at environmental conservation, renewable energy, pollution control, biodiversity conservation, and other sustainable uses of natural resources. The rise of green funds is underpinned by stringent national regulations and growing public-private partnerships that aim to foster environmentally friendly investments. This paradigm shift towards sustainability is evident in the popularity of Initial Public Offerings (IPOs) among businesses committed to green practices, as IPOs provide a vital avenue for raising capital specifically earmarked for sustainable ventures.

In the context of Nepal, while there has been notable progress in improving its business competitiveness, achieving a comprehensive and sustainable environmental development pathway remains a formidable challenge. According to recent data from 2018, Nepal ranks 109th globally in greenhouse gas emissions and 105th in the Sustainable Development Goals (SDG) Index among 157 UN member states. This positioning reflects both the country's environmental challenges and its efforts to address them within the global context. Despite these challenges, Nepal outperforms larger regional economies like India, Bangladesh, Pakistan, and Afghanistan in certain environmental metrics, indicating relative strengths in specific areas of sustainability.

The environmental landscape in Nepal is characterized by its rich biodiversity and natural resources, which present both opportunities and challenges for sustainable development. The country's commitment to achieving its SDG targets is evident, with significant progress made towards various goals despite resource constraints and geographical complexities. Mishra and Aithal (2022) underscore the importance of aligning financial strategies, such as green funds and IPOs, with national development priorities to accelerate environmental sustainability efforts effectively.

In neighboring India, companies like Adani Green Energy Limited and Times Green Energy Limited exemplify how businesses are leveraging green IPOs to capitalize on emerging sustainable investment opportunities. These initiatives not only attract capital but also enhance corporate sustainability profiles, appealing to environmentally conscious investors and stakeholders. Such developments underscore the broader trend towards integrating environmental considerations into financial decision-making processes, reflecting a growing awareness of the business case for sustainability.

The comparative analysis presented by Mishra and Aithal (2022) sheds light on Nepal's positioning within the South Asian region and its implications for regional environmental dynamics. While Nepal faces challenges in meeting global environmental standards, its proactive stance and incremental progress in sustainable development underscore its potential as a regional leader in environmental stewardship. Collaborative efforts between public and private sectors, bolstered by international partnerships and innovative financial mechanisms, will be crucial in navigating Nepal towards a more sustainable future.

Mishra and Aithal (2022) provide a comprehensive overview of the evolving landscape of green finance, emphasizing the role of green funds and IPOs in promoting sustainable

development globally. Their insights into Nepal's environmental challenges and achievements within the regional context highlight the complexities and opportunities associated with balancing economic growth with environmental sustainability. Moving forward, continued investment in green finance initiatives and strategic partnerships will be essential in advancing Nepal's environmental agenda and achieving its long-term sustainable development goals.

#### **2.1.4.2 Green Bonds**

Green bonds have emerged as a pivotal financial instrument driving the growth of green finance globally. According to Mishra and Aithal (2022), these bonds represent a significant opportunity for companies to raise capital while demonstrating their commitment to environmental sustainability. The market for green bonds is projected to expand substantially, potentially reaching a value of \$2.36 trillion by 2023, as highlighted by the World Economic Forum (Mishra & Aithal, 2022). This growth trajectory underscores the increasing investor appetite for sustainable investments and the financial sector's role in facilitating green transitions.

The appeal of green bonds lies in their ability to channel funds specifically towards environmentally beneficial projects, such as renewable energy infrastructure, energy-efficient buildings, and sustainable agriculture. These bonds not only provide financial resources but also enhance corporate transparency and accountability regarding environmental impact mitigation strategies. Mishra and Aithal (2022) analysis emphasizes the transformative potential of green bonds in reshaping corporate finance towards more sustainable practices, thereby contributing to broader environmental goals globally.

#### **2.1.4.3 Green Loans**

Green loans have become a pivotal financial tool aimed at promoting sustainable development projects worldwide. Mishra and Aithal (2022) emphasize that banks like ING and others have been at the forefront of offering green loans. These loans are specifically tailored to finance initiatives that contribute positively to environmental sustainability, such as renewable energy projects, energy-efficient buildings, and eco-friendly technologies. Unlike traditional loans, green loans often come with preferential terms, including lower interest rates and extended repayment periods, incentivizing businesses to adopt green practices.

The rationale behind green loans lies in their potential to align financial incentives with environmental objectives. By providing cheaper financing options for green initiatives, banks not only encourage businesses to invest in sustainable projects but also contribute to mitigating climate change and reducing ecological footprints. Mishra and Aithal (2022) argue that the popularity of green loans is growing as businesses increasingly prioritize sustainability in their operational strategies. This trend reflects a broader shift towards responsible financing practices where environmental considerations play a crucial role in investment decisions.

#### **2.1.4.4 Green Insurance**

Green insurance policies represent another innovative approach to managing environmental risks and promoting sustainable practices within industries. Mishra and Aithal (2022) highlight that while many countries have yet to fully embrace green insurance policies, notable examples like China have mandated these policies for polluting industries. Such policies aim to internalize environmental costs by requiring industries to bear financial responsibility for their environmental impacts, thereby incentivizing them to adopt cleaner technologies and practices.

The adoption of green insurance policies is motivated by the need to mitigate environmental liabilities and foster green growth. Mishra and Aithal (2022) underscore that these policies cover a range of risks related to environmental pollution and ecological damages. By transferring these risks from businesses to insurance providers, green insurance helps ensure financial protection against potential environmental liabilities, encouraging companies to invest in sustainable operations and technologies. Moreover, these policies promote accountability and compliance with environmental regulations, ultimately contributing to enhanced environmental stewardship and sustainable development goals.

#### **2.1.4.5 Green Ratings**

Green ratings have emerged as a crucial mechanism for assessing and promoting sustainable practices in various industries across the globe. Mishra and Aithal (2022) highlight that similar to credit ratings, green ratings evaluate the environmental performance and sustainability efforts of companies and projects. These ratings have gained significant importance as governments, investors, and stakeholders increasingly prioritize environmental considerations alongside economic metrics when evaluating companies.

In India there are identify three main green rating agencies: Leadership in Energy and Environment Design (LEED), the Indian Green Building Council (IGBC), and Green Rating for Integrated Habitat Assessment (GRIHA). These agencies assess buildings and infrastructure projects based on their environmental impact, energy efficiency, and sustainability practices. Companies that achieve high green ratings are often perceived favorably by investors and stakeholders who prioritize sustainable development goals.

The adoption of green ratings varies globally, influenced by each country's regulatory frameworks and policies. Mishra and Aithal (2022) note that while India has established robust green rating agencies and frameworks, Nepal is still developing its legal infrastructure for green ratings. In Nepal, few construction companies have initiated green building certifications independently, underscoring the nascent stage of formalized green rating systems in the country.

The significance of green ratings lies in their ability to provide transparency and credibility regarding a company's environmental commitments. By obtaining higher green ratings, businesses can enhance their reputation, attract green investments, and align with international sustainability standards. Mishra and Aithal (2022) argue that as global awareness of environmental issues grows, the demand for standardized green ratings will likely increase, driving more companies to adopt sustainable practices and seek green certifications.

## **2.2 Theoretical Review**

### **2.2.1 The Theory of Green Growth**

The theory of green growth gained prominence following the Rio+20 conference in 2012, where the agenda document titled "The World We Want" emphasized two primary objectives: promoting a green economy and achieving sustained economic growth. Since then, this concept has been integrated into environmental policies of major multinational corporations and has become a central focus at national and international levels. The theory proposes the possibility of separating economic growth from carbon emissions and resource consumption, thereby promoting sustainable development (Mo et al., 2023). This decoupling is crucial for mitigating the impacts of climate change and underscores the role of human capital in driving economic growth. Development economics literature supports this perspective, suggesting that aligning human capital with green growth principles can

advance economic advancement without exacerbating environmental degradation (Mo et al., 2023).

Investment plays a critical role in advancing the theory of green growth, especially as consumption and production trends increase. These activities, driven by heightened investment, stimulate economic growth but also contribute to higher CO<sub>2</sub> emissions (Mo et al., 2023). To address this challenge, policymakers, particularly in Asian economies, have prioritized large-scale infrastructure projects that promote sustainability. An estimated annual investment of US\$ 1.7 trillion, totaling US\$ 26 trillion from 2016 to 2030, is deemed necessary to alleviate poverty, stimulate growth, and combat climate change (Mo et al., 2023). This investment is pivotal for transitioning energy systems away from reliance on fossil fuels like coal and oil towards cleaner alternatives such as wind, solar, and biofuels. Green financing is crucial in facilitating this shift by mobilizing private investments to support low-carbon transitions. However, experts argue that simply pricing emissions is insufficient; substantial public investments in green finance are essential to effectively manage carbon emissions and develop more efficient energy systems (Mo et al., 2023). Therefore, the theory of green growth emphasizes integrating sustainable financial practices with policy measures to achieve a low-carbon economy.

### **2.2.2 Green Finance Theory**

Green finance theory aims to bridge the gap between the financial sector and environmental protection efforts, promoting economic growth while conserving natural resources (Ye & Dela, 2023). It establishes a framework directing investments towards environmental sectors, aligning financial markets with green economy goals. This approach supports investments that enhance human development, mitigate environmental risks, and improve environmental quality. For the financial sector to foster coordinated development among resources, the environment, economy, and society, it must adhere to principles of environmental protection and sustainable development (Ye & Dela, 2023). Green finance has the potential to expedite the shift to a low-carbon economy by incentivizing companies to adopt sustainable practices, thereby addressing climate change impacts.

Green finance not only delivers environmental advantages but also offers significant economic benefits. The Global Commission on the Economy and Climate emphasizes its role in mobilizing substantial private capital for climate-friendly investments and activities (Schmidt et al., 2017). Integrating environmental considerations into business strategies

helps companies reduce regulatory and reputational risks, enhance operational efficiency, and improve market competitiveness. Research, such as studies by Eccles and Serafeim (2013), shows that firms prioritizing sustainability tend to outperform financially. Therefore, green finance plays a crucial role in advancing the transition towards a sustainable economy, providing financial support across various sectors, not just for energy-efficient companies. Government policies are instrumental in this transition, fostering systems that promote green finance and support environmentally and economically sustainable development (Ye & Dela, 2023).

Green finance contributes significantly to long-term economic and social advancement, particularly in countries like China, which are transitioning to low-energy and low-pollution production models. It promotes energy-saving and environmental protection technologies, transforming energy structures and economic systems (Schmidt et al., 2017). Green finance instruments such as green bonds, village funds, equities, and sustainable banking loans offer innovative financial solutions and favorable terms for sustainability initiatives (Ye & Dela, 2023). By expanding business financing options, mitigating operational risks, and driving economic transformation towards environmentally friendly growth, green finance plays a pivotal role. Its development is evaluated based on the adoption of green financial instruments, progress in environmental improvements, and government prioritization of green finance initiatives. Thus, green finance supports sustainable projects while advancing broader economic transformation towards a greener economy (Ye & Dela, 2023).

### **2.2.3 Legitimacy Theory**

Legitimacy Theory, as elucidated by Hamm et al. (2022), revolves around the fundamental idea that organizations actively seek legitimacy by conforming to societal norms and values. This theory posits five key propositions, primarily addressing the relationship between authority and compliance, organizational support, public approval, and the broader social context (Bitektine & Haack, 2015). In essence, organizations are perceived as legitimate when they align with the expectations of their stakeholders, which include owners, investors, customers, regulators, and the community at large. This alignment is crucial as it enhances the organization's reputation and acceptance within its operating environment.

According to Bitektine and Haack (2015), legitimacy is subject to social control, meaning that judgments of legitimacy are influenced by how well organizations adhere to societal expectations. In the context of sustainable finance instruments, such as green bonds and sustainability-linked loans, legitimacy theory suggests that financial institutions adopt these tools not only to mitigate environmental impacts but also to bolster their legitimacy and reputation. For instance, a bank issuing green bonds signals its commitment to environmental sustainability, aiming to enhance its appeal to customers and investors increasingly prioritizing sustainable practices (Bitektine & Haack, 2015). However, the authenticity of these initiatives can be questioned if they are solely aimed at enhancing the bank's image rather than genuinely addressing environmental concerns.

Critically, the intention behind adopting green finance instruments should ideally stem from a genuine concern for environmental and social impacts, rather than merely seeking favorable perceptions from stakeholders. This raises ethical considerations about the motives driving such initiatives (Bitektine & Haack, 2015). While enhancing legitimacy through sustainable finance is commendable, it is essential for organizations to align their actions with meaningful contributions to sustainability goals. Simply using green bonds as a public relations tool risks diluting the genuine purpose of sustainable finance, which should focus on achieving tangible environmental benefits alongside financial objectives (Hamm et al., 2022).

In practice, financial institutions and businesses must navigate this balance carefully. They should not only adhere to regulatory and stakeholder expectations but also demonstrate a sincere commitment to sustainability through transparent practices and impactful initiatives. This approach not only enhances legitimacy but also contributes positively to broader societal and environmental goals (Hamm et al., 2022). Therefore, while legitimacy theory underscores the importance of societal approval in organizational behavior, it also emphasizes the ethical imperative for businesses to authentically integrate sustainability into their core strategies and operations, beyond mere compliance or image management.

#### **2.2.4 Institutional Theory**

Institutional Theory, as highlighted by Fuenfschilling and Truffer (2013), has emerged as a cornerstone in organization science, emphasizing the profound influence of institutions, both formal rules and informal norms, on organizational behavior. This theory posits that institutions, encompassing societal norms, cultural beliefs, and regulatory frameworks,

shape and constrain the actions of organizations. At its core, Institutional Theory elucidates how higher-order principles like rules and norms guide organizational practices, often taken for granted but critical in determining behavior and survival within organizational contexts (Tolbert & Zucker, 1983).

At its essence, Institutional Theory suggests that organizations are not solely driven by rationality and efficiency but are profoundly influenced by the quest for legitimacy within their institutional environment. Legitimacy, in this context, refers to the alignment of an organization's actions with prevailing societal expectations and norms. Organizations often conform to institutional pressures to maintain legitimacy, which is crucial for gaining acceptance and support from stakeholders, including customers, investors, regulators, and the broader public. This conformity to institutional norms helps organizations navigate uncertainty and complexity by providing a socially accepted framework for decision-making and behavior (Tolbert & Zucker, 1983).

When applied to the domain of sustainable finance, Institutional Theory offers insights into how norms, values, and institutional structures within the financial sector influence the adoption and implementation of sustainability practices (Tolbert & Zucker, 1983). For instance, if financial institutions operate within an institutional context that prioritizes short-term profit maximization over long-term sustainability goals, it may hinder the widespread adoption of sustainable finance tools such as green bonds or sustainability-linked loans (Fuenfschilling & Truffer, 2013). Conversely, in environments where there is strong institutional support for sustainability, including regulatory frameworks promoting green finance or industry standards incentivizing sustainable investments, financial actors are more likely to integrate environmental and social considerations into their decision-making processes (Tolbert & Zucker, 1983).

Moreover, Institutional Theory underscores the role of institutional entrepreneurs, entities or individuals who actively promote new norms and practices within existing institutional frameworks. These entrepreneurs play a pivotal role in driving institutional change towards sustainability by advocating for new financial instruments and practices that align economic activities with environmental and social objectives (Fuenfschilling & Truffer, 2013). Their efforts can catalyze shifts in institutional norms, making sustainability a more integral part of financial sector operations and strategies.

In practice, understanding Institutional Theory in the context of sustainable finance enables stakeholders to navigate the complexities of integrating environmental and social considerations into financial decision-making. By recognizing the influence of institutional contexts on organizational behavior, policymakers, regulators, and industry leaders can design interventions that promote a conducive environment for sustainable finance. This may include developing policies that incentivize green investments, fostering collaboration among financial institutions to develop sustainable finance products, and raising awareness about the benefits of integrating sustainability into financial strategies (Tolbert & Zucker, 1983).

In conclusion, Institutional Theory provides a robust framework for comprehending how institutions shape organizational behavior and decision-making processes within the financial sector (Fuenfschilling & Truffer, 2013). By acknowledging the role of norms, values, and institutional structures, stakeholders can foster a supportive environment where sustainable finance can thrive, contributing to both financial stability and environmental sustainability goals.

### **2.3 Empirical Review**

Nepal et al. (2024) conducted a study to examine how green finance policies contribute to promoting innovation in renewable energy technology (RETI) within Chinese cities. The primary objective was to assess the impact of the 2017 Green Finance Reform and Innovation Pilot Zones (GFRIPZ) policy as a quasi-natural experiment on RETI advancement. Employing a difference-in-differences (DID) model, the researchers analyzed data to evaluate the effectiveness of the policy in fostering RETI. Their findings indicate that the implementation of GFRIPZ has significantly boosted RETI, particularly in small-scale cities and regions with stringent environmental regulations, such as the eastern part of China. The study underscores that the policy's success in promoting RETI is partly attributed to its role in optimizing the allocation of financial resources towards green initiatives. This indirect impact suggests that improved financial allocation mechanisms facilitated by green finance reforms can stimulate innovation in renewable energy technologies. The research offers crucial insights for policymakers interested in enhancing sustainable energy innovation and fostering green development strategies aimed at achieving environmental and economic goals.

Ye and Dela (2023) investigated the impact of green investment and green financing on the sustainable business performance of foreign chemical industries operating in Indonesia, with a focus on the mediating role of corporate social responsibility (CSR). They employed quantitative research techniques using primary and secondary data sources from 238 sampled international chemical companies in Indonesia. Data were collected through a standardized questionnaire, and Smart-PLS along with structural equation modeling (SEM) was utilized to analyze the relationships between green investment, green financing, CSR, and sustainable business performance. The findings indicated that both green investment and green financing significantly and positively influenced CSR and sustainable performance outcomes. Moreover, CSR was found to mediate the relationships between green investment, green financing, and sustainable business performance. This study contributes to the existing literature by emphasizing the importance of integrating green finance strategies and CSR initiatives for enhancing sustainable economic performance in highly polluting industries.

Zi (2023) conducted a study focusing on the role of green financing in fostering sustainable businesses within the e-commerce and green entrepreneurship sectors, with implications for promoting green recovery. The primary objective was to investigate how green financing influences the development and sustainability of businesses in these sectors, particularly in low-income countries and emerging economies. Employing panel data spanning from 2010 to 2020 across multiple countries, the research utilized an econometric model to analyze the relationship between green financing and the advancement of sustainable enterprises. The findings underscored the positive impact of green financing availability on the growth and long-term viability of e-commerce and green entrepreneurship ventures. The study highlighted that customized financial support tailored to the unique needs of these industries plays a crucial role in promoting business models that prioritize environmental sustainability. This supports initiatives aimed at achieving a green recovery and sustainable economic development. The research emphasized the pivotal role of green financing in facilitating the transition to a more sustainable and ecologically conscious economy, offering significant implications for policymakers, financial institutions, and entrepreneurs operating in similar contexts. By elucidating the benefits of green financing in fostering sustainable business practices, the study provides valuable insights into promoting environmental recovery and sustainable development.

Xiong and Dai (2023) conducted a comprehensive study to explore the impact of green finance investment on sustainable development, focusing on the role of technological innovation and renewable energy. The primary objective was to analyze how green financing influences sustainable development in China using panel data spanning from 1990 to 2020. Employing a panel data model, the study assessed the significant negative effect of green finance on pollution levels in China, highlighting its positive impact on sustainable development outcomes. Specifically, the research revealed that technological innovation and increased investment in renewable energy significantly contribute to enhancing sustainable development indicators. Notably, a 1% increase in renewable energy investment correlated with a 1.243% rise in private sector investment, underscoring the catalytic role of green finance in driving economic activity towards sustainability. Moreover, the study found that factors such as investment, commerce, and human capital exerted significant influences on sustainable development outcomes. Importantly, green financial instruments were identified as pivotal in promoting environmental advancements by fostering the development and adoption of eco-friendly technologies. The research also observed that the mediating effect of green finance on sustainable development was more pronounced in non-state-owned enterprises compared to state-owned companies, attributable to ownership heterogeneity. Overall, the findings underscored the transformative potential of green finance in mitigating environmental degradation and advancing sustainable economic growth in China.

Taneja and Özen (2023) conducted a study aimed at examining the relationship between green financing activities and environmental performance in banks. Given the escalating environmental and climate challenges, the research focused on exploring how green financing initiatives influence banks' efforts towards environmental protection. The study utilized factor analysis with AMOS to analyze data collected from 390 candidates representing all six administrative divisions of Haryana, India. SPSS 22 with AMOS was employed for statistical analysis. The findings highlighted that environmental policies and supportive strategies significantly impact banks' environmental performance. Specifically, the study emphasized the role of banks in promoting sustainable environmental technologies as crucial for enhancing both performance metrics and customer perception. The results underscored the importance of integrating green financing into banking practices not only to comply with environmental regulations but also to strengthen banks' reputations and operational efficiencies. Overall, the research provided empirical evidence

supporting the positive association between green financing activities and banks' environmental performance, offering insights into strategic implications for enhancing sustainability practices within the banking sector.

Nepal et al. (2023) conducted a study aiming to reassess green finance in the context of greenfield investments, focusing on the moderating role of institutional qualities on environmental performance. This research was part of *The Handbook of Energy Policy* and utilized a qualitative research design to explore these dynamics. The study employed case study analysis and qualitative interviews with stakeholders involved in greenfield investments and environmental policy. Data analysis involved thematic analysis to identify the influence of institutional qualities such as regulatory frameworks, governance structures, and policy incentives on the environmental outcomes of green finance initiatives. The findings highlighted that institutional qualities significantly moderate the relationship between green finance and environmental performance in greenfield investments. Effective regulatory frameworks and supportive governance structures were found to enhance the positive impact of green finance on environmental sustainability. Conversely, weak institutional qualities could undermine the effectiveness of green finance initiatives in promoting environmental goals. The study underscores the importance of robust institutional frameworks and policy support in maximizing the environmental benefits of green finance in the context of greenfield investments. These insights contribute to the broader understanding of how institutional contexts shape the outcomes of sustainable finance strategies.

Bansal et al. (2023) investigated the role of green financing in enhancing environmental performance through green banking strategies in Punjab, India. The study aimed to explore how green banking practices influence the environmental outcomes of banks operating in Punjab, given its unique economic and environmental context. Employing a Structural Equation Modeling (SEM) approach, the researchers analyzed data collected from 290 participants, including employees from both public and private sector banks. The findings of the study revealed a statistically significant and positive relationship between operations-related green banking strategies and a bank's environmental performance. Moreover, the study highlighted that green finance acts as a partial mediator in this relationship, underscoring its role in fostering environmental sustainability within the banking sector. These results suggest implications for stakeholders in the banking industry, providing insights that can inform regulatory frameworks and policies aimed at promoting green

banking practices. By understanding these dynamics, regulatory authorities can formulate effective guidelines to encourage the adoption of green banking, thereby supporting both environmental conservation and financial stability initiatives within the sector.

Vaidya and Budhathoki (2023) explored the implementation and impact of green finance initiatives in Nepalese banks, focusing on policies and practices related to environmentally sustainable investments. The study aimed to assess the adoption of green finance principles by 'A' class banks in Nepal, particularly analyzing their credit allocation towards sectors such as agriculture, hydro-power projects, tourism, and small and medium enterprises (SMEs). Utilizing data published by the Nepal Rastra Bank (NRB), the research investigated how these sectors were integrated into the banks' total credit portfolios from 2018 to 2023. Findings indicated a significant allocation of credit to agriculture, hydro-power projects, and the tourism sector, while SMEs also received attention under green financing initiatives. However, the study highlighted a notable absence of investment in waste management within the green finance framework, suggesting a need for diversification in credit portfolios and enhanced transparency in reporting. The research underscored the importance of integrating climate-related disclosures with credit disbursement practices among banks and financial institutions (BFIs) to strengthen environmental sustainability efforts in Nepal's banking sector. Overall, the study provided insights into the current state of green finance adoption in Nepalese banks and recommended strategies for improving and expanding green financing practices to support sustainable development goals.

Sarma and Roy (2022) conducted a study to assess the current status and future prospects of green finance within SAARC nations. The research focused on three key components: green financial instruments, green finance legislations, and sources of funds for green finance. Using a comprehensive analysis, the study evaluated the popularity of these components across SAARC countries and examined the existing research landscape on green finance within the region. The findings underscored that 'green banking' emerged as the most widely adopted green financial instrument, while the 'Green Climate Fund' was identified as the predominant source of funds among SAARC nations. A green finance scorecard, developed through an equal-weighted scoring approach, ranked India, Bangladesh, and Pakistan as the top performers in green finance within the SAARC context. The study identified and reviewed ten pertinent articles across eighteen different search portals, highlighting the current research focus and gaps in green finance literature

concerning SAARC countries. Based on these insights, the study recommended future initiatives to expand and integrate new components of green finance tailored to the specific needs and capacities of each SAARC nation, aiming to foster sustainable economic development and environmental stewardship in the region.

Mishra and Aithal (2022) conducted a descriptive and exploratory study aimed at evaluating the imperative of green financing within the context of Nepal. The research focused on analyzing the future prospects of global financing strategies with a specific emphasis on green financing as a crucial tool for achieving economic stability and sustainable growth. The study employed a literature-based review and conceptual research approach, supplemented by personal consultations with key informants and professionals. Data collection included documenting professionals' opinions through grounded theory steps and validating findings through Focus Group Discussions. The research highlighted the increasing environmental impact of globalization and emphasized the necessity for industries to adopt green initiatives for climate-resilient growth. The findings underscored the broad applicability and benefits of green financing across various sectors, illustrating its role in promoting total green growth and sustainability. Despite being a niche concept, the study concluded that green financing offers substantial advantages, advocating for its wider adoption as a fundamental strategy for integrating environmental concerns with capitalist principles.

Yang et al. (2022) conducted a comprehensive study aimed at investigating the impact of green financing, clean energy initiatives, and green economic practices on sustainable performance across seven different industries in G7 countries from 2010 to 2018. Utilizing panel estimators, the research focused on evaluating sustainable development goals through the environmental, social, and governance (ESG) pillars. The study identified green financing, clean energy adoption, and green economic volatility as critical determinants influencing sustainable practices within these economies. Results indicated a significant and positive association between clean energy, green financing, and green economic development, collectively contributing to enhanced sustainable practices across sectors. The research also highlighted the constructive role of green bonds and their impact on individual pillars of sustainable development, even after adjusting for environmental regulations, economic growth, and foreign investment effects. These findings provide valuable insights for industries, governmental bodies in G7 economies, environmental advocates, and other stakeholders interested in promoting sustainable economic practices.

Furthermore, the study contributes substantially to the literature by establishing a clear linkage between sustainable practices, green financing mechanisms, clean energy adoption, and green economic policies within the context of G7 nations.

Ronaldo and Suryanto (2022) conducted a study aimed at investigating the role of green finance in achieving Sustainable Development Goals (SDGs) through the implementation of Village Funds in Indonesia. The primary objective was to examine how green finance influences both environmental and economic sustainability within the context of Indonesian Village Funds. The research employed a survey questionnaire administered to Indonesian government officials overseeing Village Funds and officers involved in their distribution, resulting in 220 valid responses for analysis. Using Smart-PLS, the study assessed the relationships and tested hypotheses related to the impact of green finance on SDGs. The findings underscored the crucial role of green finance in advancing SDGs, particularly in promoting green technology innovation and supporting green micro-enterprises. These initiatives were identified as pivotal in enhancing environmental sustainability and economic viability. The study contributes to the understanding of how financial mechanisms, specifically green finance, can facilitate sustainable development efforts in regions grappling with high pollution levels and economic challenges. By highlighting the effectiveness of green finance in fostering green innovations and micro-enterprises, the research provides valuable insights for policymakers, practitioners, and stakeholders involved in promoting sustainable development agendas in emerging economies like Indonesia.

Zhang et al. (2022) examined the impact of green banking activities on green financing and banks' environmental performance, focusing on the mediating role of green financing in private commercial banks (PCBs) in Bangladesh. The study aimed to identify the relationship between these variables and explore the challenges and benefits associated with green banking development in an emerging economy. Using convenience sampling, data were collected from 352 bankers of PCBs in Bangladesh. Structural Equation Modelling (SEM) was employed to analyze the data and assess the relationships among green banking activities, green financing, and banks' environmental performance. The findings indicated that green banking activities significantly enhance banks' environmental performance and contribute positively to the availability of green financing. Moreover, green financing was found to mediate the relationship between green banking activities and banks' environmental performance. The study identified key challenges such as customer

awareness, high investment costs, technical barriers, and staffing issues, while highlighting benefits including enhanced competitiveness, cost savings, improved customer relations, and reduced carbon footprint. Theoretical and managerial implications were discussed, alongside recommendations for future research directions.

Chen et al. (2022) conducted an empirical study to explore the impact of green banking practices (GB) on banks' environmental performance and green financing in private commercial banks (PCBs) in Bangladesh, against the backdrop of increasing environmental challenges globally. Using a survey methodology, primary data were gathered from 322 banking employees of PCBs in Bangladesh. The study employed Structural Equation Modelling (SEM) to analyze the relationships among green banking practices, green financing, and banks' environmental performance. The findings indicated that banks' internal practices related to daily operations and policy had significant positive effects on green financing. However, customer-related green banking practices did not show statistical significance in influencing green financing. Moreover, the study revealed a strong positive relationship between banks' green project financing and their environmental performance. Specifically, daily operational and policy-related green banking practices were found to significantly impact banks' environmental performance, while employee and customer-related practices did not exhibit significant effects. The study concluded with discussions on major policy implications and suggestions for future research directions in this domain.

Xu et al. (2020) conducted a meta-analytic study to investigate the relationship between green finance and enterprise green performance against the backdrop of increasing environmental challenges and sustainable development imperatives. Utilizing Comprehensive Meta-Analysis Software (CMA) 2.0 and the Hunter and Schmidt model, the study synthesized findings from existing literature to test proposed hypotheses. The research found a significant positive correlation between green finance and enterprise green performance, underscoring the role of financial mechanisms in enhancing environmental outcomes within enterprises. Additionally, the study identified that firm type and regional factors act as moderators in this relationship, influencing how green finance impacts enterprise green performance across different contexts. Notably, the study revealed that profitability did not significantly moderate this relationship, suggesting that financial viability alone may not determine the effectiveness of green finance initiatives in fostering sustainable practices. These findings contribute to the understanding of how financial

strategies can align with environmental goals and provide insights into optimizing green finance interventions for enhanced enterprise sustainability.

Zheng et al. (2021) conducted a study aimed at exploring the dimensions of green finance and their impact on the sustainability performance of financial institutions in Bangladesh. Against the backdrop of increasing interest in sustainable development goals, the research focused on understanding how different facets of green finance influence economic, social, and environmental aspects within the banking sector. Using a dataset spanning from 2015 to 2020, the study employed structural equation modeling (SEM) to analyze the relationship between green finance dimensions and sustainability performance. The findings highlighted that private commercial banks in Bangladesh were the predominant adopters of green financing, comprising 78.12% of total green financing activities. Importantly, the study revealed a strong positive correlation between the social, economic, and environmental dimensions of green finance and the sustainability performance of financial institutions. Moreover, it was found that a significant majority of bankers recognized green financing as integral to both short-term and long-term banking strategies, underscoring its strategic importance in fostering sustainable economic growth. This research contributes significantly to the understanding of green finance development in emerging economies like Bangladesh and provides actionable insights for managerial policies aimed at enhancing sustainability within the financial sector.

Zhang et al. (2021) conducted an empirical study to evaluate the environmental effects of China's Green Credit Policy (GCP) and its implications for fostering green development. The main objective was to assess whether the GCP effectively promotes cleaner production and environmental governance, particularly focusing on its impact on the investment and financing behavior of high energy consumption and high pollution enterprises ("two high" enterprises). Using a quasi-natural experiment approach, the study utilized a panel dataset covering 945 A-share listed companies and 30 provinces from 2004 to 2017. The difference-in-difference model was employed to analyze changes in enterprise behavior and environmental quality attributable to the GCP. The findings indicated several key outcomes: (1) The GCP initially incentivizes short-term financing behaviors of "two high" enterprises but imposes long-term constraints on their investment activities. (2) The policy contributes significantly to reducing sulfur dioxide and wastewater emissions. (3) State-owned and large-scale enterprises are more responsive to the GCP compared to medium-sized and micro enterprises. (4) Regional variations were observed, with the eastern and

western regions experiencing more pronounced positive effects compared to the central region. Overall, the study provides empirical evidence of the GCP's dual impacts on enterprise behavior and environmental outcomes, highlighting its role in driving green development policies in China.

Nepal et al. (2020) investigated the relationship between greenfield investments, environmental performance, and economic growth across Asian countries from 2000 to 2018. Using panel data econometrics, the study aimed to assess how greenfield investments, human capital, economic activities, and institutional quality influence environmental outcomes, measured by the Environmental Performance Index (EPI). The research addressed issues of cross-sectional dependence, endogeneity, and heterogeneity in the data analysis. Findings indicated that greenfield investments coupled with strong institutional frameworks positively impact environmental performance, suggesting that effective regulations can mitigate the potential negative environmental effects often associated with increased economic activities. The study also supported the Environmental Kuznets Curve hypothesis, demonstrating that economic growth initially exacerbates environmental degradation but eventually leads to improved environmental outcomes as income levels rise. Interestingly, the study found a negative association between human capital development and environmental performance in the Asian context, indicating a need for balanced policies that consider both economic growth and environmental sustainability. Overall, the research highlighted the potential of greenfield investments supported by robust institutional environments to serve as a source of sustainable green finance, contributing valuable insights into environmental management strategies in rapidly developing Asian economies.

Popescu and Popescu (2019) conducted an exploratory study aimed at investigating the relationship between green and sustainable finance, corporate social responsibility (CSR), intellectual capital, and organizational performance within the Romanian business environment. The study utilized a questionnaire method to gather insights on several key research objectives. These objectives included assessing the understanding of green and sustainable finance, CSR, and intellectual capital among Romanian organizations and the local community, examining CSR initiatives undertaken by Romanian organizations, identifying the main drivers of CSR and intellectual capital in these organizations, and exploring strategies to enhance both financial and non-financial performance through CSR and intellectual capital. The findings of the study underscored a robust relationship between

CSR, intellectual capital, and organizational performance in the Romanian context. The research revealed that Romanian entities demonstrate a high level of social responsibility awareness, leveraging CSR and intellectual capital to enhance profitability, productivity, and overall performance. The results provided encouraging evidence suggesting that integrating CSR and intellectual capital into business strategies can yield significant advantages in terms of competitive advantage and market influence. The study called for further validation through a larger sample size to strengthen the generalizability of its findings.

Mahat et al. (2019) conducted a study focusing on climate finance and green growth in Nepal, considering the country's vulnerability to climate change and its efforts to enhance adaptive capacity and resilience. The research employed a qualitative approach, utilizing existing data and information to analyze Nepal's current financing mechanisms for climate change adaptation and mitigation. The study discussed the evolution of international financing patterns and their implications for Nepal, emphasizing the need to integrate climate actions into national development plans. Key findings highlighted Nepal's progress in policy development and institutional capacity building with support from donor countries and multilateral agencies. The study advocated for diversifying funding sources and fostering public-private partnerships to promote a comprehensive green economy. Specifically, it recommended focusing on renewable energy, transport, agriculture, forestry, water management, and tourism to achieve sustainable development goals amidst climate challenges. The research underscored the importance of aligning climate-related investments with long-term adaptation strategies and outlined policy recommendations to strengthen Nepal's resilience to environmental changes. Overall, the study contributed insights into enhancing Nepal's climate resilience through strategic financing and sustainable development practices.

Aryal et al. (2019) investigated the potential of payment for ecosystem services (PES) as a sustainable financing mechanism for watershed services in Nepal. The study aimed to assess existing financing mechanisms at the national level and evaluate pilot PES programs implemented in four different sites across Nepal. Employing participatory and qualitative research methods, the researchers analyzed institutional arrangements, operational procedures, and implementation practices within these study sites. Their findings suggest that the pilot PES programs have yielded satisfactory outcomes in terms of watershed management. The study argues that PES could be a promising approach to financing

sustainable watershed management in Nepal, emphasizing the need for flexibility in institutional arrangements and stronger linkages between service providers and users through regulatory mechanisms. Importantly, the research highlights the intermediary role of local government in institutionalizing PES as a sustainable financing mechanism for ensuring watershed services. These insights underscore the potential of PES to contribute positively to environmental conservation efforts in Nepal, provided that it is adapted to local contexts and supported by robust governance structures.

Risal and Joshi (2018) conducted a study aiming to analyze the impact of green banking practices on bank's environmental performance in Nepal. Using a causal relational research design, the study employed simple and stepwise multiple regression analysis to investigate this relationship. The research adopted a cross-sectional qualitative approach with descriptive outcomes, assessing the reliability of instruments and data using Chronbach's Alpha. Data collection involved 189 samples from banks in Kathmandu Valley, selected through convenience sampling, and analysis was conducted using SPSS software. The findings indicated that energy-efficient equipment and green policies significantly influenced banks' environmental performance, whereas green loans and green projects did not show a significant impact. Environmental training was found to have a mild contribution to bank's environmental performance. The study concluded by emphasizing the crucial roles of banks and government in promoting environmentally sustainable technologies to enhance banks' reputations and customer awareness. This research provides empirical evidence supporting the effectiveness of certain green banking practices in improving environmental performance within the Nepalese banking sector.

**Table 1**  
*Summary of Empirical Review*

S.N.	Source	Title	Objective	Methodology	Findings
1	Nepal et al. (2024)	How does green finance promote renewable energy technology innovation? A quasi-natural experiment perspective	Analyze the impact of green banking practices on bank's environmental performance in Nepal.	Quantitative Method with Difference-in-differences (DID) model using the 2017	The implementation of GFRIPZ policy has substantially and favorably influenced RETI, particularly in eastern China, small-scale cities, and areas with stringent environmental regulations.

S.N.	Source	Title	Objective	Methodology	Findings
2	Ye and Dela (2023)	The effect of green investment and green financing on sustainable business performance of foreign chemical industries operating in Indonesia: the mediating role of corporate social responsibility	To examine the impact of green investment and financing on sustainable business performance with CSR as a mediator	Quantitative research using primary and secondary data sources, standardized questionnaire	Green investment and financing significantly improve CSR and sustainable business performance. CSR mediates the relationship between green investment, green financing, and sustainable performance.
3	Zi (2023)	Role of green financing in developing sustainable business of e-commerce and green entrepreneurship : implications for green recovery	To examine the impact of green financing on sustainable businesses in e-commerce and green entrepreneurship sectors	Panel data analysis, econometric model	Green financing significantly supports the development and long-term viability of sustainable businesses in e-commerce and green entrepreneurship sectors. Facilitates green recovery and sustainable economic development. Green finance has a significant negative impact on pollution and positive impact on sustainable development in China.
4	Xiong and Dai (2023)	Does green finance investment impact on sustainable development: Role of technological innovation and renewable energy	To examine the impact of green finance investment on sustainable development in China, focusing on technological innovation and renewable energy	Panel data model	Technological innovation and renewable energy investment contribute to sustainable development. 1% growth in renewable energy investment leads to a 1.243% rise in private sector investment.
5	Taneja and Özen (2023)	To analyse the relationship between bank's green financing and environmental performance.	Explore the influence of green financing activities on banks' environmental performance.	Factor analysis with AMOS	Green financing activities significantly influence banks' environmental performance

S.N.	Source	Title	Objective	Methodology	Findings
6	Nepal et al. (2023)	Rethinking green finance in greenfield investments: the moderating role of institutional qualities on environmental performance.	To reassess the role of green finance in greenfield investments and examine how institutional qualities moderate its impact on environmental performance.	Qualitative research design using case study analysis and qualitative interviews with stakeholders.	Institutional qualities such as regulatory frameworks and governance structures significantly moderate the relationship between green finance and environmental performance in greenfield investments.
7	Bansal et al. (2023)	Green Financing as a Bridge Between Green Banking Strategies and Environmental Performance in Punjab, India	To examine the relationship between green banking strategies and environmental performance in Punjab, India, focusing on the mediation role of green finance	Structural Equation Modeling (SEM)	There is a statistically significant and positive relationship between green banking strategies and environmental performance in Punjab, India. Green finance partially mediates this relationship
8	Vaidya and Budhat hoki (2023)	Green Finance in Nepalese Banks: Policy and Position	To examine the implementation and outcomes of green finance initiatives in Nepalese banks, focusing on credit allocation and environmental impact	Analysis of data published by Nepal Rastra Bank (NRB)	'A' class banks in Nepal have allocated significant credit to agriculture, hydro-power projects, tourism, and SMEs under green financing, with agriculture receiving 11–13% of total credit. However, waste management has been neglected.
9	Sarma and Roy (2022)	Current status and future prospects of green finance in SAARC nations	Explore current status and prospects of green finance components (instruments, legislations, funds) in SAARC nations.	Analysis of green financial instruments, legislations, and funding sources.	Green banking is popular; Green Climate Fund is a primary funding source in SAARC nations. India, Bangladesh, and Pakistan lead in green finance scorecard.

S.N.	Source	Title	Objective	Methodology	Findings
10	Mishra and Aithal (2022)	An imperative on green financing in the perspective of Nepal	To assess the future prospects of green financing in Nepal	Descriptive research analyzing global financing trends with focus on Nepal	Green financing is crucial for achieving economic stability and sustainable growth in Nepal.
11	Yang et al. (2022)	How volatility in green financing, clean energy, and green economic practices derive sustainable performance through ESG indicators? A sectoral study of G7 countries	To analyze the impact of green financing, clean energy, and green economic practices on sustainable development goals (ESG indicators) across seven industries in G7 countries	Panel estimators, data from 2010 to 2018	Clean energy, green financing, and green economic practices significantly contribute to sustainable development across G7 countries. Green bonds, clean energy, and green economy development individually enhance sustainable practices.
12	Ronald o and Suryant o (2022)	Green finance and sustainability development goals in Indonesian Fund Village	To examine the role of green finance in achieving Sustainable Development Goals (SDGs) through Fund Village in Indonesia	Survey questionnaire, smart-PLS	Green finance significantly contributes to achieving SDGs in terms of environmental and economic sustainability in Indonesian Fund Villages. Promotes green technology innovation and green micro-enterprises.
13	Zhang et al. (2022)	Do green banking activities improve the banks' environmental performance? The mediating effect of green financing	To identify the impact of green banking activities on banks' environmental performance, and the mediating role of green financing	Quantitative research using primary data from bankers of PCBs in Bangladesh, convenience sampling	Green banking activities positively affect banks' environmental performance. Green financing mediates the relationship between green banking activities and environmental performance.
14	Chen et al. (2022)	The effect of green banking practices on banks' environmental performance and green	To identify the impact of green banking practices on banks' environmental performance	Survey method, primary data from PCBs in Bangladesh, cross-sectional sample	Banks' daily operations and policy-related green banking practices significantly enhance green financing and environmental performance.

S.N.	Source	Title	Objective	Methodology	Findings
		financing: An empirical study	and green financing		Customer-related practices did not show statistical significance.
15	Xu et al. (2020)	Untangling the impact of green finance on the enterprise green performance: a meta-analytic approach	To analyze the relationship between green finance and enterprise green performance using a meta-analytic approach	Meta-analysis using Comprehensive Meta-Analysis Software (CMA) 2.0, Hunter and Schmidt model	Green finance significantly correlates positively with enterprise green performance. Firm type and region moderate this relationship, but profitability does not.
16	Zheng et al. (2021)	Factors Affecting the Sustainability Performance of Financial Institutions in Bangladesh: The Role of Green Finance	To examine the dimensions of green finance and their effects on the sustainability performance of financial institutions in Bangladesh	Structural Equation Modeling (SEM), data from banks and non-bank financial institutions	Green finance dimensions (social, economic, environmental) significantly enhance sustainability performance of banks in Bangladesh. Private commercial banks lead in green financing, crucial for short- and long-term banking strategies
17	Zhang et al. (2021)	Fostering green development with green finance: An empirical study on the environmental effect of green credit policy in China	To evaluate the environmental effects of the Green Credit Policy (GCP) in China and its impact on investment and financing behavior of high energy consumption and high pollution enterprises	Difference-in-difference model, panel dataset of A-share listed companies and provinces	GCP incentivizes short-term financing but has a long-term punitive effect on high energy consumption and high pollution enterprises. Mitigates sulfur dioxide and wastewater emissions.
18	Nepal et al. (2020)	Greenfield investments as a source of sustainable green finance? On the relationships between greenfield investments, environmental	To examine the impact of greenfield investments, human capital, economic activities, and the role of institutions on environmental performance in	Panel data econometrics considering cross-sectional dependence, endogeneity, and heterogeneities	Greenfield investment with strong institutions improves environmental performance, moderating the pollution haven hypothesis. Economic growth positively impacts environmental performance

S.N.	Source	Title	Objective	Methodology	Findings
19	Popescu and Popescu (2019)	performance, and Asian economic growth  An exploratory study based on a questionnaire concerning green and sustainable finance, corporate social responsibility, and performance: Evidence from the Romanian business environment	Asian countries from 2000 to 2018  To explore the relationships between green and sustainable finance, corporate social responsibility, intellectual capital, and organizational performance in Romania	Quantitative Research with Questionnaire method	Strong relationships found between corporate social responsibility, intellectual capital, and performance in the Romanian business environment
20	Mahat et al. (2019)	Climate finance and green growth: reconsidering climate-related institutions, investments, and priorities in Nepal.	To analyze the impact of climate finance on green growth and propose policy recommendations for Nepal's climate adaptation and mitigation strategies.	Quantitative Research with Literature review and policy analysis based on existing data and information.	Emphasizes the need for Nepal to diversify climate finance sources and integrate climate actions into national development plans. Advocates for a public-private partnership-driven green economy focusing on renewable energy, transport.
21	Aryal et al. (2019)	Payment for ecosystem services: Could it be sustainable financing mechanism for watershed services in Nepal.	To assess existing financing mechanisms for watershed services in Nepal and evaluate pilot PES programs.	Participatory and qualitative research methods.	Pilot PES programs in Nepal show satisfactory outcomes in watershed management. PES mechanism is promising but needs flexible institutional arrangements and strong regulatory mechanisms.
22	Risal and Joshi (2018)	Measuring green banking practices on bank's environmental performance: Empirical evidence from Kathmandu valley.	Analyze the impact of green banking practices on bank's environmental performance in Nepal.	Casual relational research design; Simple and stepwise multiple regression analysis	Energy-efficient equipment and green policy significantly impact bank's environmental performance; green loans and green projects do not. Environmental training contributes mildly.

## 2.4 Research Gap

Previous research in the field of green finance and sustainable business performance has been extensively explored in various contexts. Studies such as Nepal et al. (2024), Ye and Dela (2023), and Zi (2023) have delved into different aspects of how green finance influences environmental and economic outcomes. These studies have contributed valuable insights into the mechanisms through which green financing practices enhance sustainability across different sectors and geographical regions (Nepal et al., 2024; Ye & Dela, 2023; Zi, 2023).

However, a notable context gap exists concerning the specific impact of green financing on sustainable business performance in Nepal. While global studies provide broad insights, none have specifically examined this relationship within the unique socio-economic and environmental context of Nepal. Understanding how green finance initiatives translate into sustainable business practices in Nepal is crucial, given the country's distinct economic structure, environmental challenges, and emerging green finance policies.

Furthermore, there is a significant time gap in the literature. This study addresses this gap by utilizing the latest available data from 2024 (Nepal et al., 2024). Many existing studies use data from earlier years, which may not capture recent developments in green finance practices or their evolving impact on sustainable business performance. The use of current data allows for a more accurate assessment of the contemporary relevance and effectiveness of green financing initiatives in Nepal.

Another critical gap lies in the variables considered across studies. While some research explores the relationship between green investment, corporate social responsibility (CSR), and sustainable performance, not all studies explicitly include green financing (GFI) as a distinct variable (Ye & Dela, 2023; Zi, 2023). This variable gap limits a comprehensive understanding of how specific financial mechanisms, like green loans and investments, contribute uniquely to sustainable business practices. This study addresses this gap by integrating GFI, GIN, and CSR as key factors influencing Sustainable Business Performance (SBP).

Methodologically, there is also a gap in the approaches used to study the impact of green financing on sustainable business performance. Many studies employ quantitative methods such as econometric models or panel data analysis. However, there is a scarcity of studies employing descriptive statistics and causal comparative research designs in this context

(Nepal et al., 2024). This study adopts these methods to provide a nuanced understanding of how green financing initiatives affect sustainable business practices in Nepal.

Overall, the research gap identified underscores the need for a focused investigation into how green financing specifically impacts sustainable business performance in Nepal, using the latest available data and incorporating GFI, GIN, and CSR as integral variables. This study aims to fill this gap by examining these relationships comprehensively (Ye & Dela, 2023; Nepal et al., 2024). By doing so, it seeks to contribute valuable insights into the efficacy of green finance policies in promoting sustainable economic development in Nepal, thereby addressing the identified research gaps and advancing the current understanding in this field.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

This chapter outlines the research methodology, encompassing the research design, population and sample, sampling design, nature and sources of data, data collection instruments, methods of analysis, research framework, and definition of variables. Each component is detailed to ensure a comprehensive understanding of the study's approach and procedures.

#### **3.1 Research Design**

The research design for this study has combined descriptive and causal-comparative research design. Descriptive research design has been employed to assess public awareness of green financing, green investment, and corporate social responsibility in Nepal, utilizing descriptive statistics to analyze the current status of these factors. Additionally, a causal-comparative research design has been implemented to evaluate the impact of green financing on sustainable business performance in Nepal, allowing for an examination of cause-and-effect relationships between these variables.

#### **3.2 Population and Sample, and Sampling Design**

Since this study has focused on the Kathmandu Valley, the total population includes all green investors and financiers in the area. Out of this population, the study has chosen a sample size of 400. Convenience sampling has been used to select the sample size, as this method was chosen to facilitate data collection according to the study's requirements.

#### **3.3 Nature and Sources of Data and the Instrument of Data Collection**

This study is based on the quantitative nature of data. The data collected for this study is firsthand data, also known as primary sources of data. A structured questionnaire survey method has been used for data collection. In designing the structured questionnaire, the researcher crafted the questions based on special attention to previous articles, researchers, and seniors' input. A five-point Likert scale has been used, ranging from strongly disagree to strongly agree, with points scored as follows: strongly disagree (1), disagree (2), neutral (3), agree (4), and strongly agree (5).

#### **3.4 Method of Analysis**

After data collection, the data was presented in statistical software such as Microsoft Excel and SPSS. The collected data was analyzed using various statistical tools, including

descriptive statistics, correlation analysis, and multivariate regression models. Descriptive statistics were used to summarize and describe the main features of the dataset, providing a clear overview of the sample's characteristics. Correlation analysis was employed to examine the strength and direction of relationships between the variables. Additionally, multivariate regression models were utilized to explore the impact of multiple independent variables (Green Financing, Green Investment, and Corporate Social Responsibility) on the dependent variable (Sustainable Business Performance), allowing for a comprehensive understanding of the interactions and effects within the dataset. This analytical approach facilitated a thorough investigation of the research and provided insights into the factors influencing sustainable business performance. Following Statistical tools has been used in this study.

### 3.4.1 Mean

The mean is a statistical measure that represents the average value of a dataset. In this study, the mean was used to assess public awareness of green financing, green investment, and corporate social responsibility in Nepal. By calculating the mean, researchers could determine the central tendency of responses, providing insights into the general level of awareness among the population regarding these concepts. It can be written as:

$$\text{Mean} = \frac{\sum x}{n}$$

Where,

X = Value of responses of each independent or dependent variable

n = Number of responses

### 3.4.2 Standard Deviation (S.D.)

The standard deviation is a measure of variability that indicates the extent to which individual data points deviate from the mean. In this study, the standard deviation was used to assess the variability in perceptions of public awareness regarding green financing, green investment, and corporate social responsibility in Nepal. A higher standard deviation would indicate greater diversity in respondents' perceptions, while a lower standard deviation would suggest more consistent views among the participants. It can be written as:

$$\text{Standard Deviation}(\sigma) = \sqrt{\frac{\sum(X - \bar{X})^2}{n}}$$

Where,

X = Value of responses of each dependent or independent variable

$\bar{X}$  = Mean value of responses of each dependent or independent variable

n= Number of responses

### 3.4.3 Correlation Analysis

Correlation analysis is a statistical method used to examine the strength and direction of the relationship between two variables. In this study, correlation analysis was employed to analyze the relationship between green financing and sustainable business performance in Nepal. By calculating the correlation coefficient, researchers could determine whether there was a positive or negative relationship between these variables and the strength of that relationship, providing valuable insights into how green financing might influence sustainable business performance. The correlation coefficient between two variables is also calculated by using the following formula:

$$\text{Correlation Coefficient}(r) = \frac{n \sum XY - \sum X \sum Y}{\sqrt{n \sum X^2 - (\sum X)^2} \sqrt{n \sum Y^2 - (\sum Y)^2}}$$

Where,

n = Number of responses

X = Value of independent variable

Y=Value of dependent variable

### 3.4.4 Regression Analysis

Regression analysis is a statistical technique used to evaluate the relationship between a dependent variable and one or more independent variables. In this study, regression analysis was used to evaluate the impact of green financing on sustainable business performance in Nepal. This method allowed researchers to quantify the effect of green financing on business performance, controlling for other factors and providing a more comprehensive understanding of how green financing initiatives contribute to sustainable business outcomes. Following regression model has been used in this study.

$$Y_{SBP} = \alpha + \beta_1 \text{GFI} + \beta_2 \text{GIN} + \beta_3 \text{CSR} + E \dots\dots\dots \text{Eq (1)}$$

Where,

SBP = Sustainable Business Performance

GFI = Green Financing

GIN = Green Investment

CSR = Corporate Social Responsibility

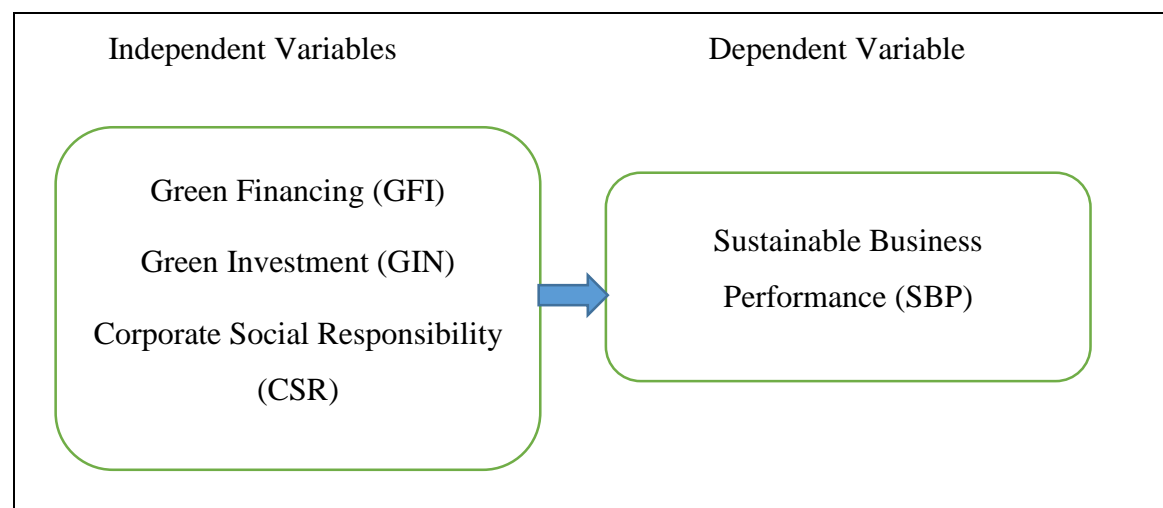
E = Error Term

$\alpha$  = Intercept term

$\beta_1, \beta_2, \beta_3$  = Coefficients

### 3.5 Research Framework and Definition of Variables

A research framework serves as a structured plan that outlines the variables and relationships to be examined in a study. It provides a clear depiction of the theoretical underpinnings and methodological approach that guide the research process. This study has developed a research framework adopted from Ye and Dela (2023), which positions Green Financing (GFI), Green Investment (GIN), and Corporate Social Responsibility (CSR) as independent variables, and Sustainable Business Performance (SBP) as the dependent variable. The framework posits that the adoption of green financing mechanisms and investments in environmentally sustainable projects, alongside robust CSR practices, positively impact the sustainable performance of businesses.



Source: Ye and Dela (2023)

Figure 1. Research Framework of this Study

**Green Financing (GFI)**

Green Financing (GFI) refers to financial products and services specifically designed to support environmentally sustainable projects. According to Ye and Dela (2023), green financing encompasses a wide array of financial mechanisms such as green bonds, green loans, and green funds that aim to promote sustainable development. These financial instruments are utilized to fund projects that mitigate environmental risks and foster ecological sustainability, such as renewable energy projects, energy-efficient infrastructure, and pollution control initiatives. The primary goal of green financing is to integrate environmental considerations into financial decision-making processes, thereby encouraging businesses to adopt sustainable practices (Ye & Dela, 2023). By providing the necessary capital for eco-friendly projects, green financing not only enhances a company's environmental performance but also contributes to the broader goal of sustainable economic development.

**Green Investment (GIN)**

Green Investment (GIN) involves allocating capital to projects and companies that are committed to environmental sustainability and conservation. Ye and Dela (2023) highlight that green investments are directed towards sectors such as renewable energy, sustainable agriculture, and green technologies. These investments are crucial for promoting innovation in environmentally friendly practices and reducing the carbon footprint of industries. Green investment not only supports the growth of sustainable businesses but also aligns with the increasing consumer and regulatory demand for corporate environmental responsibility. By focusing on long-term ecological benefits, green investments aim to generate financial returns while also ensuring positive environmental outcomes (Ye & Dela, 2023). This approach helps companies enhance their sustainability profiles, attract green finance, and build stronger relationships with environmentally conscious stakeholders.

**Corporate Social Responsibility (CSR)**

Corporate Social Responsibility (CSR) refers to the voluntary actions taken by companies to address social, environmental, and economic impacts of their operations beyond what is legally required. Ye and Dela (2023) emphasize that CSR activities include initiatives such as community engagement, ethical business practices, environmental conservation, and employee welfare programs. By integrating CSR into their business strategies, companies

can demonstrate their commitment to sustainable development and social welfare. CSR helps in building a positive corporate image, fostering trust among stakeholders, and enhancing long-term profitability (Ye & Dela, 2023). Companies that actively engage in CSR are seen as socially responsible entities, which can lead to improved stakeholder relations, increased customer loyalty, and better financial performance.

### **Sustainable Business Performance (SBP)**

Sustainable Business Performance (SBP) refers to a company's ability to achieve long-term financial success while minimizing negative environmental and social impacts. According to Ye and Dela (2023), SBP involves the implementation of sustainable practices that ensure the efficient use of resources, reduce waste, and mitigate environmental harm. This performance metric assesses not only the economic outcomes but also the environmental and social contributions of a business. Companies with high sustainable business performance are able to maintain profitability while addressing the needs of their stakeholders and preserving the environment for future generations (Ye & Dela, 2023). SBP is a comprehensive approach that integrates financial performance with corporate responsibility, leading to enhanced reputation, increased market competitiveness, and sustainable growth.

## **CHAPTER IV**

### **RESULTS AND DISCUSSION**

In this chapter, the results are first presented and analyzed, showcasing the findings from the research on the effect of green financing on sustainable business performance in Nepal. This section provides a detailed account of the data collected, including statistical analyses and key trends identified. Following this, the discussion section contrasts these findings with previous research, highlighting similarities and differences in conclusions. This comparison helps contextualize the results within existing literature, offering insights into how the current study aligns with or deviates from earlier studies on green financing and sustainability in the business sector.

#### **4.1 Results**

This section presents and analyzes the results of the demographic profile of respondents, reliability tests, normality tests, descriptive statistics, correlation analysis, and regression analysis. The findings are systematically displayed in tabular form, allowing for a comprehensive examination of the data. The reliability tests assess the consistency of the measurement instruments, while normality tests ensure the data conforms to expected distribution patterns. Descriptive statistics provide an overview of the data characteristics, and correlation analysis explores the relationships between variables. Regression analysis is used to evaluate the impact of green financing on sustainable business performance. Each aspect is carefully analyzed to draw meaningful conclusions from the data.

##### **4.1.1 Demographic Profile of Respondents**

In this section, the demographic profile of respondents has been thoroughly examined, including variables such as gender, age group, educational qualification, job position, years of experience, and sector of employment. The analysis provides a detailed understanding of the respondent characteristics, offering insights into the distribution of these variables within the sample. This examination helps contextualize the study's findings by highlighting the diverse backgrounds and professional experiences of the participants.

**Table 2***Demographic Profile of Respondents*

Variables		Frequency	Percent
Gender	Male	251	62.75
	Female	149	37.25
Age Group	18-25 years	33	8.25
	26-35 years	128	32.00
	36-45 years	218	54.50
	Above 45 years	21	5.25
Educational Qualification	High School	42	10.50
	Bachelor's Degree	231	57.75
	Master's Degree	123	30.75
	Doctorate	4	1.00
Job Position	Entry Level	91	22.75
	Mid-Level	151	37.75
	Senior Level	109	27.25
	Executive Level	49	12.25
Years of Experience	Less than 1 year	33	8.25
	1-3 years	115	28.75
	4-6 years	185	46.25
	7-10 years	34	8.50
Sector of Employment	More than 10 years	33	8.25
	Banking	68	17.00
	Finance	80	20.00
	Manufacturing	98	24.50
	Services	89	22.25
	Other	65	16.25

*Source:* Field Survey, 2024

Table 2 presents the demographic profile of respondents, detailing their distribution across various categories.

Out of 400 respondents, 251 (62.75%) are male, while 149 (37.25%) are female. The age distribution is as follows: 33 respondents (8.25%) are between 18-25 years old, 128 respondents (32.00%) are between 26-35 years old, 218 respondents (54.50%) fall within the 36-45 years age bracket, and 21 respondents (5.25%) are above 45 years old.

The majority of respondents hold a Bachelor's Degree, with 231 (57.75%). Those with a Master's Degree constitute 123 (30.75%), while 42 respondents (10.50%) have a High School education, and only 4 respondents (1.00%) have a Doctorate. Regarding job

positions, 91 respondents (22.75%) are at the Entry Level, 151 (37.75%) are at Mid-Level, 109 (27.25%) are at Senior Level, and 49 (12.25%) hold Executive Level positions.

Experience levels are distributed as follows: 33 respondents (8.25%) have less than 1 year of experience, 115 respondents (28.75%) have 1-3 years of experience, 185 respondents (46.25%) have 4-6 years of experience, 34 respondents (8.50%) have 7-10 years of experience, and 33 respondents (8.25%) have more than 10 years of experience.

In terms of sector of employment, 68 respondents (17.00%) are in Banking, 80 (20.00%) are in Finance, 98 (24.50%) work in Manufacturing, 89 (22.25%) are in Services, and 65 (16.25%) are in Other sectors.

#### 4.1.2 Reliability Test

To ensure the reliability of the data and findings, this study utilized SPSS software. SPSS was used to evaluate data consistency through the Cronbach's Alpha Test of Reliability, which measures the repeatability of results and yields a value between 0 and 1. A value below 0.60 signifies low reliability, whereas values ranging from 0.90 to 0.99 indicate excellent reliability. Generally, a value above 0.7 is considered acceptable (Nunnally, 1978).

**Table 3**  
*Reliability Test*

Variables	Cronbach's Alpha	N of Items
Green Financing (GFI)	0.804	6
Green Investment (GIN)	0.760	6
Corporate Social Responsibility (CSR)	0.736	6
Sustainable Business Performance (SBP)	0.826	6
Overall	0.899	34

*Source:* Field Survey, 2024

Table 3 displays the results of the reliability test performed on the study variables. The Cronbach's Alpha values for Green Financing (GFI), Green Investment (GIN), Corporate Social Responsibility (CSR), and Sustainable Business Performance (SBP) are 0.804, 0.760, 0.736, and 0.826, respectively. Each of these values exceeds the acceptable threshold of 0.70, indicating that the data for each variable are reliable. The overall Cronbach's Alpha, calculated across all variables, is 0.899, suggesting very high internal consistency within the dataset. This high overall value further confirms the reliability of the data collected for the study.

### 4.1.3 Normality Test

In this study, a normality test was performed to determine if the data followed a normal distribution, which is essential for validating the assumptions required for various statistical analyses. To assess this, the Kolmogorov-Smirnov and Shapiro-Wilk tests were used. These tests aimed to verify whether the data collected for variables such as Green Financing (GFI), Green Investment (GIN), Corporate Social Responsibility (CSR), and Sustainable Business Performance (SBP) displayed characteristics of normal distribution.

**Table 4**  
*Normality Test*

Variables	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Green Financing (GFI)	0.148	400	0.000	0.941	400	0.000
Green Investment (GIN)	0.118	400	0.000	0.957	400	0.000
Corporate Social Responsibility (CSR)	0.135	400	0.000	0.941	400	0.000
Sustainable Business Performance (SBP)	0.117	400	0.000	0.937	400	0.000

*Source:* Field Survey, 2024

Table 4 presents the results of the normality test conducted on the study variables. The Kolmogorov-Smirnov and Shapiro-Wilk tests for Green Financing (GFI), Green Investment (GIN), Corporate Social Responsibility (CSR), and Sustainable Business Performance (SBP) all show significance values of 0.000. This indicates that the data do not meet the normal distribution assumption, as the p-values are less than the significance level of 0.05. Consequently, it can be concluded that the data for all variables deviate from a normal distribution.

### 4.1.4 Descriptive Statistics

In this study, descriptive statistics have been utilized to assess public awareness of green financing, green investment, and corporate social responsibility in Nepal. This approach allows for a comprehensive evaluation of how well these concepts are understood by the general population, providing valuable insights into the level of awareness and the extent of public engagement with these environmental and social practices.

#### 4.1.4.1 Summary of Descriptive Statistics

In this section, a summary of descriptive statistics has been conducted to analyze the overall characteristics of the factors: Green Financing (GFI), Green Investment (GIN), Corporate

Social Responsibility (CSR), and Sustainable Business Performance (SBP). The summary includes an examination of the mean and standard deviation for each factor, providing insights into the central tendency and variability of responses related to these variables. This analysis offers a comprehensive overview of how respondents perceive and engage with green financing practices, investment strategies, social responsibility initiatives, and their impact on business performance.

**Table 5**

*Summary of Descriptive Statistics*

Variables	Mean	S.D.
Green Financing (GFI)	3.916	0.659
Green Investment (GIN)	3.788	0.701
Corporate Social Responsibility (CSR)	3.915	0.684
Sustainable Business Performance (SBP)	3.952	0.732

*Source:* Field Survey, 2024

Table 5 provides a summary of descriptive statistics for the variables under study, including Green Financing (GFI), Green Investment (GIN), Corporate Social Responsibility (CSR), and Sustainable Business Performance (SBP). The mean scores and standard deviations for each variable reflect the respondents' perceptions and variability.

The mean score for Green Financing is 3.916 with a standard deviation of 0.659. This relatively high mean score suggests that respondents generally hold a positive perception of green financing practices. The standard deviation indicates a moderate level of variability in responses, meaning that while most respondents view green financing positively, there is some variation in their perceptions.

The mean score for Green Investment is 3.788 with a standard deviation of 0.701. This score indicates a favorable attitude towards green investments among respondents. However, the slightly higher standard deviation compared to GFI shows a broader range of opinions on the importance and effectiveness of green investment, reflecting some differences in individual views.

With a mean score of 3.915 and a standard deviation of 0.684, the responses suggest a positive perception of CSR initiatives. The mean score indicates that respondents see CSR efforts in a favorable light, while the standard deviation reveals moderate variation in the extent to which respondents agree with the importance and impact of CSR activities.

The mean score for Sustainable Business Performance is 3.952 with a standard deviation of 0.732. This high mean score reflects strong approval of sustainable business practices and their perceived effectiveness in improving performance. The standard deviation suggests some variability in responses, indicating that while the overall perception is positive, there are diverse opinions regarding the specific impacts of sustainable practices on business performance.

In summary, the descriptive statistics reveal generally positive perceptions towards green financing, green investment, CSR, and sustainable business performance, with variations in individual responses indicating differing levels of agreement and emphasis on these factors.

#### 4.1.4.2 Descriptive Study of Green Financing (GFI)

This section presents the descriptive study of Green Financing (GFI) and its impact on sustainable business performance. The analysis focuses on the characteristics and summary statistics related to Green Financing (GFI), including its mean and standard deviation. By examining these descriptive statistics, the study aims to provide insights into how Green Financing practices influence sustainable business performance. This overview helps to understand the central tendencies and variations within the Green Financing data and its implications for overall business sustainability.

**Table 6**

*Descriptive Study of Green Financing (GFI)*

Statements	Mean	S.D.
Our company has established policies to ensure that financing is directed towards environmentally sustainable projects.	3.793	0.991
Our company has allocated a specific budget for green projects and initiatives.	3.930	0.912
Our company has invested in green bonds or other similar financial instruments.	3.993	0.922
Our company has received financing from banks or other financial institutions for green projects.	4.005	0.844
Our company has engaged in advocacy or lobbying efforts to promote green financing at the national or international level.	3.860	0.971
Our company integrates environmental considerations into its financing decisions.	3.915	0.919

*Source:* Field Survey, 2024

Table 6 presents the descriptive study of green financing (GFI) as perceived by the respondents. The analysis includes mean scores and standard deviations for various statements related to green financing practices within organizations.

Among the statements, "Our company has received financing from banks or other financial institutions for green projects" has the highest mean score of 4.005 with a standard deviation of 0.844. This high mean indicates that respondents perceive their companies as effectively obtaining financial support for green projects, reflecting a strong endorsement of their organization's ability to secure external funding for environmental initiatives. The relatively low standard deviation suggests a consensus among respondents about the effectiveness of this practice.

Conversely, the statement "Our company has established policies to ensure that financing is directed towards environmentally sustainable projects" has the lowest mean score of 3.793 with a standard deviation of 0.991. This lower mean suggests that while respondents acknowledge the existence of policies, they perceive these policies as less robust or impactful compared to other green financing practices. The higher standard deviation indicates more variability in responses, suggesting differing opinions on the adequacy and implementation of such policies.

Overall, the descriptive study reveals a generally positive perception of green financing practices among respondents, with particular approval for securing external financing for green projects. However, there is some variation in how respondents view the establishment and effectiveness of policies aimed at directing financing towards sustainable projects. The analysis highlights that while green financing is well-regarded, there are areas where perceptions vary, indicating room for improvement in policy implementation.

#### **4.1.4.3 Descriptive Study of Green Investment (GIN)**

This section presents the descriptive study of Green Investment (GIN) and its influence on sustainable business performance. The analysis includes summary statistics for Green Investment (GIN), such as its mean and standard deviation, to assess its impact on sustainable business outcomes. By exploring these descriptive metrics, the study provides insights into how Green Investment practices affect overall business sustainability, highlighting central trends and variability within the data. This examination is crucial for understanding the role of Green Investment in promoting sustainable business practices and enhancing performance.

**Table 7**  
*Descriptive Study of Green Investment (GIN)*

Statements	Mean	S.D.
Our company considers environmental preservation in its green investment decisions.	3.655	1.133
Our company consistently makes green investments.	3.788	0.997
Our company engages in green initiatives to fulfill its obligation to the environment and society.	3.743	1.034
Our company finds the financial performance of green investment appealing.	3.933	1.025
Our company is not reducing its green investment to cut costs.	3.760	1.054
Our company prioritizes environmental sustainability in its investment strategies.	3.853	0.997

*Source:* Field Survey, 2024

Table 7 presents the descriptive study of green investment (GIN) as perceived by the respondents. The table includes mean scores and standard deviations for various statements related to green investment practices within organizations.

Among the statements, "Our company finds the financial performance of green investment appealing" has the highest mean score of 3.933 with a standard deviation of 1.025. This high mean suggests that respondents view the financial returns from green investments as attractive, indicating a positive perception of the economic benefits associated with these investments. The relatively high standard deviation reflects a moderate level of variability in opinions regarding the financial appeal of green investments.

On the other hand, the statement "Our company considers environmental preservation in its green investment decisions" has the lowest mean score of 3.655 with a standard deviation of 1.133. This lower mean indicates that respondents perceive a weaker emphasis on environmental preservation in their company's investment decisions. The higher standard deviation suggests significant variation in how respondents view the incorporation of environmental considerations into investment strategies.

Overall, the descriptive study reveals a generally favorable perception of green investment practices among respondents, particularly regarding the financial performance of green investments. However, there is notable variability in how environmental preservation is integrated into investment decisions, suggesting that while some companies are perceived to value environmental aspects, others may need to improve in this area.

#### 4.1.4.4 Descriptive Study of Corporate Social Responsibility (CSR)

This section presents the descriptive study of Corporate Social Responsibility (CSR) and its impact on sustainable business performance. It includes summary statistics for CSR, focusing on its mean and standard deviation, to evaluate its effect on business sustainability. By analyzing these descriptive metrics, the study provides insights into how CSR initiatives influence overall business performance. This evaluation helps in understanding the contribution of CSR to enhancing sustainable practices and improving business outcomes.

**Table 8**

*Descriptive Study of Corporate Social Responsibility (CSR)*

Statements	Mean	S.D.
Our business participates in initiatives and campaigns that advance societal safety.	3.988	1.061
Our business wants to grow sustainably while considering future generations' requirements.	3.883	1.011
Our corporation supports non-governmental organizations that operate in troubled regions.	4.020	0.928
Our business goes above and beyond what the law requires to protect customer rights.	3.783	1.133
Our company fully and promptly complies with all legal regulations.	3.925	1.018
Our business is committed to fulfilling its social responsibilities.	3.893	1.086

*Source:* Field Survey, 2024

Table 8 presents the descriptive study of corporate social responsibility (CSR) as perceived by the respondents. The table outlines mean scores and standard deviations for various CSR-related statements.

Among the statements, "Our corporation supports non-governmental organizations that operate in troubled regions" has the highest mean score of 4.020 with a standard deviation of 0.928. This high mean indicates a strong positive perception of the company's support for NGOs in troubled regions, suggesting that respondents view this aspect of CSR as particularly commendable. The lower standard deviation reflects a relatively consistent view among respondents regarding the company's support for such organizations.

Conversely, the statement "Our business goes above and beyond what the law requires to protect customer rights" has the lowest mean score of 3.783 with a standard deviation of 1.133. This lower mean suggests that respondents perceive a lesser extent of exceeding

legal requirements to protect customer rights compared to other CSR activities. The higher standard deviation indicates considerable variation in opinions about how well the business goes beyond legal obligations in safeguarding customer rights.

Overall, the descriptive study indicates that respondents have a generally positive view of corporate social responsibility practices, particularly in areas such as supporting NGOs and complying with legal regulations. However, there is some variability in perceptions regarding how far businesses go beyond legal requirements, suggesting that while CSR efforts are recognized and valued, there may be room for improvement in certain aspects.

#### 4.1.4.5 Descriptive Study of Sustainable Business Performance (SBP)

This section presents the descriptive study of Sustainable Business Performance (SBP) and its impact on business outcomes. It includes summary statistics for SBP, emphasizing the mean and standard deviation, to assess its effectiveness in achieving sustainability goals. The analysis provides insights into how variations in SBP metrics influence overall business performance, offering a comprehensive view of how well businesses are performing in terms of sustainability and identifying areas for improvement.

**Table 9**

*Descriptive Study of Sustainable Business Performance (SBP)*

Statements	Mean	S.D.
Our organization's net profit margin has increased.	4.013	0.908
Our organization's return on investment has increased.	3.960	0.973
The growth of our profitability has been exceptional.	3.983	0.977
Our profitability has surpassed that of our competitors.	3.888	0.973
Our overall financial performance has outperformed our competitors.	4.090	0.954
Our organization strives for outstanding financial performance while maintaining sustainability.	3.780	1.194

*Source:* Field Survey, 2024

Table 9 presents the descriptive study of sustainable business performance (SBP) as perceived by the respondents. This table details mean scores and standard deviations for various statements related to SBP.

The statement "Our overall financial performance has outperformed our competitors" shows the highest mean score of 4.090 with a standard deviation of 0.954. This high mean indicates that respondents view the organization's financial performance relative to competitors very positively, suggesting a strong perception of superior performance in the

market. The relatively low standard deviation reflects a consistent agreement among respondents regarding the organization's competitive financial performance.

On the other hand, the statement "Our organization strives for outstanding financial performance while maintaining sustainability" has the lowest mean score of 3.780 with a standard deviation of 1.194. This lower mean indicates that respondents perceive the organization's efforts to balance financial performance with sustainability as less effective compared to other aspects of SBP. The higher standard deviation signifies a greater variability in responses, suggesting mixed opinions on how well the organization integrates sustainability into its financial performance goals.

Overall, the descriptive study reveals that respondents generally perceive the organization's financial performance as strong, particularly in outperforming competitors. However, there is some uncertainty about how well the organization manages to achieve outstanding financial performance while maintaining sustainability, indicating potential areas for improvement in integrating sustainable practices into financial strategies.

#### 4.1.5 Correlation Analysis

In this section, correlation analysis has been used to examine the relationship between green financing and sustainable business performance in Nepal. This analysis helps identify the strength and direction of the association between these variables, providing insights into how effectively green financing practices impact business sustainability outcomes.

**Table 10**

*Correlation Matrix*

Variables		GFI	GIN	CSR	SBP
GFI	Pearson Correlation	1			
	Sig. (2-tailed)				
GIN	Pearson Correlation	.493**	1		
	Sig. (2-tailed)	0.000			
CSR	Pearson Correlation	.611**	.541**	1	
	Sig. (2-tailed)	0.000	0.000		
SBP	Pearson Correlation	.488**	.498**	.633**	1
	Sig. (2-tailed)	0.000	0.000	0.000	

*Source:* Field Survey, 2024

Table 10 presents the correlation between green financing (GFI), green investment (GIN), corporate social responsibility (CSR), and sustainable business performance (SBP). The Pearson correlation coefficients and significance levels are provided for each relationship.

The correlation between green financing (GFI) and sustainable business performance (SBP) is 0.488, which is a moderate positive correlation. This value indicates that as green financing increases, sustainable business performance also tends to improve, suggesting a positive relationship. The correlation is statistically significant at the 5 percent level, as indicated by the p-value of 0.00, showing that the relationship is not due to chance.

The correlation between green investment (GIN) and sustainable business performance (SBP) is 0.498, reflecting a moderate positive correlation. This result signifies that higher levels of green investment are associated with better sustainable business performance. The correlation is statistically significant at the 5 percent level, with a p-value of 0.00, confirming that the observed relationship is statistically reliable.

The correlation between corporate social responsibility (CSR) and sustainable business performance (SBP) is 0.633, indicating a strong positive correlation. This suggests that organizations with higher levels of corporate social responsibility are likely to experience improved sustainable business performance. The correlation is statistically significant at the 5 percent level, evidenced by the p-value of 0.00, reinforcing that this strong relationship is significant and not due to random variation.

#### **4.1.6 Regression Analysis**

In this section, multivariate regression analysis has been used to evaluate the impact of green financing on sustainable business performance in Nepal. This analysis assesses how various aspects of green financing influence different dimensions of business performance, allowing for a comprehensive understanding of the relationship and the extent to which green financing practices contribute to achieving sustainability goals in the business context.

**Table 11**

*Model Summary of Regression Model*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.665	0.443	0.438	0.548

*Source:* Field Survey, 2024

Table 11 presents the model summary of the regression analysis for sustainable business performance (SBP) with green financing (GFI), green investment (GIN), and corporate social responsibility (CSR) as predictors. The model shows an R value of 0.665, indicating a strong correlation between the predictors and SBP. The R Square value of 0.443 suggests that approximately 44.3% of the variance in SBP can be explained by the combined effects of GFI, GIN, and CSR. The adjusted R Square value of 0.438 accounts for the number of predictors in the model, reinforcing the model's explanatory power. The standard error of the estimate is 0.548, reflecting the average distance between the observed values and the predicted values of SBP.

**Table 12**

*ANOVA Table of Regression Model*

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	94.508	3	31.503	104.835	0.00
Residual	118.998	396	0.300		
Total	213.506	399			

*Source:* Field Survey, 2024

Table 12 presents the ANOVA results for the regression model. The F-statistic is 104.835 with a significance level of 0.00, which is less than the 0.05 threshold. This indicates that the regression model is statistically significant and fits the data well. Therefore, the model effectively explains the variance in sustainable business performance (SBP) based on the predictors green financing (GFI), green investment (GIN), and corporate social responsibility (CSR).

**Table 13**

*Beta Coefficient of Regression Model*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	0.772	0.189		4.082	0.000		
GFI	0.124	0.054	0.112	2.289	0.023	0.590	1.696
GIN	0.203	0.048	0.194	4.229	0.000	0.665	1.503
CSR	0.492	0.054	0.460	9.098	0.000	0.551	1.815

*Source:* Field Survey, 2024

Table 13 presents the beta coefficients, including both unstandardized and standardized values, as well as significance and variance inflation factor (VIF) for the independent variables in the regression model.

For green financing (GFI), the unstandardized beta coefficient is 0.124, and the standardized beta coefficient is 0.112, with a significance level of 0.023. This significance value is less than the 0.05 threshold, indicating that green financing has a statistically significant positive impact on sustainable business performance (SBP). The VIF for GFI is 1.696, which is well below the threshold of 10, suggesting no issues with multicollinearity. This implies that green financing contributes positively to SBP, and the effect is robust and not affected by multicollinearity.

For green investment (GIN), the unstandardized beta coefficient is 0.203, and the standardized beta coefficient is 0.194, with a significance level of 0.000. This p-value is significantly less than 0.05, indicating that green investment has a strong and statistically significant positive impact on SBP. The VIF for GIN is 1.503, indicating no multicollinearity issues. The result suggests that green investment is a crucial factor in enhancing SBP, and the positive relationship is clear and unaffected by collinearity.

For corporate social responsibility (CSR), the unstandardized beta coefficient is 0.492, and the standardized beta coefficient is 0.46, with a significance level of 0.000. The significance level is much lower than 0.05, confirming that CSR has a highly significant positive impact on SBP. The VIF for CSR is 1.815, which is also below the threshold of 10, indicating no multicollinearity. This indicates that CSR has a substantial positive influence on SBP, and the results are reliable and not distorted by multicollinearity.

#### **4.1.7 Major Findings**

- A total of 251 respondents, representing 62.75 percent, are male, while 149 respondents, or 37.25 percent, are female.
- The age distribution reveals that 33 respondents, or 8.25 percent, are between 18-25 years old; 128 respondents, or 32.00 percent, are between 26-35 years old; 218 respondents, or 54.50 percent, fall within the 36-45 years age bracket; and 21 respondents, or 5.25 percent, are above 45 years old.
- The majority of respondents hold a Bachelor's Degree, with 231 individuals accounting for 57.75 percent. Those with a Master's Degree make up 30.75 percent,

equating to 123 respondents. Additionally, 42 respondents, or 10.50 percent, have a High School education, and 4 respondents, or 1.00 percent, have a Doctorate.

- Regarding job positions, 91 respondents, or 22.75 percent, are at the Entry Level; 151 respondents, or 37.75 percent, are at Mid-Level; 109 respondents, or 27.25 percent, are at Senior Level; and 49 respondents, or 12.25 percent, hold Executive Level positions.
- Experience levels are distributed with 33 respondents, or 8.25 percent, having less than 1 year of experience; 115 respondents, or 28.75 percent, with 1-3 years of experience; 185 respondents, or 46.25 percent, with 4-6 years of experience; 34 respondents, or 8.50 percent, with 7-10 years of experience; and 33 respondents, or 8.25 percent, with more than 10 years of experience.
- In terms of sector of employment, 68 respondents, or 17.00 percent, are in Banking; 80 respondents, or 20.00 percent, are in Finance; 98 respondents, or 24.50 percent, work in Manufacturing; 89 respondents, or 22.25 percent, are in Services; and 65 respondents, or 16.25 percent, are in Other sectors.
- The mean score for Green Financing is 3.916, with a standard deviation of 0.659. This indicates a generally positive perception of green financing practices among respondents, though there is moderate variability in individual views.
- The mean score for Green Investment is 3.788, accompanied by a standard deviation of 0.701. This suggests a favorable attitude towards green investments, but the slightly higher standard deviation indicates a wider range of opinions on its importance and effectiveness.
- The mean score for Corporate Social Responsibility (CSR) is 3.915, with a standard deviation of 0.684. This shows that respondents generally view CSR initiatives positively, although there is moderate variation in how much they value the impact and significance of CSR activities.
- The mean score for Sustainable Business Performance is 3.952, with a standard deviation of 0.732. This high mean reflects strong approval of sustainable business practices and their effectiveness in enhancing performance, while the standard deviation points to some variability in responses regarding the specific impacts of these practices.

- Overall, the descriptive statistics indicate generally positive perceptions of green financing, green investment, CSR, and sustainable business performance. However, the observed variations in responses highlight differing levels of agreement and emphasis on these factors.
- The correlation between green financing (GFI) and sustainable business performance (SBP) is 0.488, indicating a moderate positive correlation. This suggests that increases in green financing are associated with improvements in sustainable business performance. The correlation is statistically significant at the 5 percent level, with a p-value of 0.00, confirming that the relationship is unlikely due to chance.
- The correlation between green investment (GIN) and sustainable business performance (SBP) is 0.498, reflecting a moderate positive correlation. This implies that higher levels of green investment are linked to better sustainable business performance. The correlation is statistically significant at the 5 percent level, as indicated by the p-value of 0.00, showing the relationship is statistically reliable.
- The correlation between corporate social responsibility (CSR) and sustainable business performance (SBP) is 0.633, demonstrating a strong positive correlation. This indicates that organizations with higher levels of CSR are likely to achieve improved sustainable business performance. The correlation is statistically significant at the 5 percent level, with a p-value of 0.00, reinforcing that this strong relationship is significant and not due to random variation.
- The model summary reveals an R value of 0.665, indicating a strong correlation between the predictors (green financing, green investment, and corporate social responsibility) and sustainable business performance.
- The R Square value of 0.443 implies that approximately 44.3 percent of the variance in sustainable business performance can be explained by the combined effects of green financing, green investment, and corporate social responsibility.
- The adjusted R Square value of 0.438, which adjusts for the number of predictors, confirms the model's explanatory power.
- The unstandardized beta coefficient for green financing is 0.124, and the standardized beta coefficient is 0.112, with a significance level of 0.023. This

indicates that green financing has a statistically significant positive impact on sustainable business performance, and the effect is robust as there are no issues with multicollinearity, with a VIF of 1.696.

- The unstandardized beta coefficient for green investment is 0.203, and the standardized beta coefficient is 0.194, with a significance level of 0.000. This suggests that green investment has a strong and statistically significant positive effect on sustainable business performance. The VIF for green investment is 1.503, confirming no multicollinearity issues.
- The unstandardized beta coefficient for corporate social responsibility is 0.492, and the standardized beta coefficient is 0.46, with a significance level of 0.000. This shows that corporate social responsibility has a highly significant positive impact on sustainable business performance, with a VIF of 1.815 indicating no multicollinearity.

## **4.2 Discussion**

The first objective of the study has evaluated public awareness of green financing, green investment, and corporate social responsibility (CSR) in Nepal. The results indicate a generally positive perception of these concepts among respondents. Awareness of green financing and investment is satisfactory, and CSR initiatives are well-regarded. However, there is variability in individual opinions regarding the effectiveness and impact of these practices. Overall, while there is a strong general awareness and positive attitude, the study highlights the need for further efforts to improve understanding and consistency across different population segments. Nepal et al. (2024) revealed that green finance policies significantly boost renewable energy technology innovation in China, suggesting a strong impact of green financing on technological advancements, which complements the positive public perceptions noted in the current study. Conversely, Ye and Dela (2023) highlighted that green investment and financing significantly improve CSR and sustainable performance in Indonesia's chemical industry, reflecting a similar positive correlation between green practices and business performance as observed in Nepal. Zi (2023) demonstrated that green financing promotes sustainability in e-commerce and green entrepreneurship, aligning with the current study's positive perceptions of green financing, yet emphasizing a broader sectoral application. Xiong and Dai (2023) found green finance positively affects sustainable development through technological innovation in China,

supporting the study's findings on the positive impact of green finance, although their focus was on technological innovation rather than public awareness. Taneja and Özen (2023) showed that green financing significantly enhances banks' environmental performance, which supports the current study's positive perceptions of CSR and green financing but focuses specifically on the banking sector rather than broader public attitude.

The second objective of the study has investigated the relationship between green financing, green investment, and sustainable business performance in Nepal. The analysis has shown that both green financing and green investment have a moderate positive correlation with sustainable business performance, indicating that increases in these factors generally improve business sustainability. These relationships are statistically significant, affirming their reliability. In contrast, corporate social responsibility (CSR) exhibits a strong positive correlation with sustainable business performance, suggesting that higher CSR involvement is significantly associated with better performance. Overall, the study finds that green financing, green investment, and CSR all positively impact sustainable business performance in Nepal. Nepal et al. (2024) found a significant boost in renewable energy technology innovation due to green finance reforms, indicating that green finance can drive sustainable outcomes, which is consistent with the positive effects noted in this study (Nepal et al., 2024). Ye and Dela (2023) also reported that both green investment and green financing significantly enhance CSR and sustainable performance, aligning well with the current findings on green investment and CSR (Ye & Dela, 2023). Similarly, Zi (2023) highlighted the positive role of green financing in supporting sustainable business practices in emerging economies, supporting the study's conclusion about green financing's importance (Zi, 2023). Xiong and Dai (2023) observed a strong positive effect of green finance on sustainable development outcomes in China, with notable impacts on technological innovation and renewable energy, reinforcing the idea that green financing fosters sustainable practices (Xiong & Dai, 2023). However, Taneja and Özen (2023) focused specifically on banks, finding that green financing significantly impacts environmental performance, which echoes the general trend but within a more specific context (Taneja & Özen, 2023). Contrastingly, Sarma and Roy (2022) noted that green finance's impact varies across SAARC countries, suggesting that while green finance is crucial, its effectiveness can differ by region, which might explain some deviations in results compared to Nepal (Sarma & Roy, 2022). Mishra and Aithal (2022) discussed green financing's broad benefits but emphasized its nascent status in Nepal, potentially indicating

a need for more robust frameworks to fully realize these benefits (Mishra & Aithal, 2022). The findings of Zhang et al. (2022) and Chen et al. (2022) support the positive influence of green banking and financing on environmental performance, highlighting similar trends in different contexts, though they focus on specific aspects of banking rather than broader business performance (Zhang et al., 2022; Chen et al., 2022).

The third objective of the study has assessed the impact of green financing, green investment, and corporate social responsibility (CSR) on sustainable business performance in Nepal. The analysis reveals that green financing has a statistically significant positive impact on sustainable business performance, with a robust and reliable effect. Green investment also shows a strong and significant positive impact, underscoring its crucial role in enhancing sustainability. Similarly, CSR has a highly significant and substantial positive impact on business performance, confirming its major contribution to improved sustainability. Overall, the findings highlight that green financing, green investment, and CSR all significantly and positively influence sustainable business performance in Nepal. Taneja and Özen (2023) found that green financing significantly improves banks' environmental performance, which supports the current study's findings on the positive impact of green financing. Similarly, Nepal et al. (2023) emphasized the crucial role of institutional qualities in enhancing green finance's effects on environmental performance, underscoring the need for strong institutional frameworks, a point that complements the current study's emphasis on the importance of green financing. However, Bansal et al. (2023) observed that green finance serves as a partial mediator between green banking strategies and environmental performance, suggesting a more nuanced role of green financing compared to the direct and robust positive effect found in the current study. Vaidya and Budhathoki (2023) highlighted significant credit allocation to green projects but identified gaps, such as insufficient investment in waste management, which contrasts with the current study's broader positive impact of green investment. In contrast, Sarma and Roy (2022) reported varying levels of green finance adoption across SAARC countries, which points to regional differences not fully addressed by the current study. Zhang et al. (2022) and Chen et al. (2022) both found significant positive impacts of green financing on environmental performance in banks, which corroborates the current study's findings but also suggests that specific practices may vary by region and context.

## **CHAPTER V**

### **SUMMARY AND CONCLUSION**

This chapter provides a comprehensive summary of the study, concluding that green financing, green investment, and corporate social responsibility significantly enhance sustainable business performance. The findings reveal that all three variables positively impact business sustainability, with corporate social responsibility showing the strongest influence. The study underscores the importance of integrating green practices and CSR initiatives into business strategies. Implications of these findings suggest that organizations should prioritize these areas to improve their performance and align with sustainability goals, offering valuable insights for both practitioners and policymakers in fostering environmentally and socially responsible business practices.

#### **5.1 Summary**

This study has focused on the impact of green financing, green investment, and corporate social responsibility (CSR) on sustainable business performance in Nepal. As global concerns about climate change and environmental degradation have intensified, there has been a growing emphasis on integrating green finance and investment into business practices to promote sustainability. However, Nepal has faced challenges in fully realizing the potential of green financing, including the need for stronger governmental support, tailored strategies for its unique energy consumption patterns, and a lack of comprehensive understanding among stakeholders. The study has aimed to assess public awareness of green financing, green investment, and CSR, analyze the relationship between green financing and sustainable business performance, and evaluate the impact of green financing on business sustainability in Nepal.

The literature review of this study has comprehensively addressed the various facets of green finance and its impact on sustainability. It has included a conceptual review, which has explored the definitions, significance, and historical evolution of green finance, along with detailed examinations of green financing instruments such as green funds, bonds, loans, insurance, and ratings. The theoretical review has covered key theories relevant to green finance, including the Theory of Green Growth, Green Finance Theory, Legitimacy Theory, and Institutional Theory. The empirical review has analyzed existing research findings on the relationship between green finance and sustainable business performance, identifying patterns and insights from previous studies. Additionally, the research gap has

been highlighted, indicating areas where further investigation is needed to enhance understanding and application of green finance practices.

The research design for this study has utilized a combination of descriptive and causal-comparative approaches. The descriptive design has assessed public awareness of green financing, green investment, and corporate social responsibility in Nepal by applying descriptive statistics to analyze their current status. Concurrently, a causal-comparative design has been employed to evaluate the impact of green financing on sustainable business performance, enabling the examination of cause-and-effect relationships between these variables. The study has focused on the Kathmandu Valley, with a population comprising all green investors and financiers in the region. A sample size of 400 has been selected using convenience sampling to facilitate data collection. This study has relied on primary data collected through a structured questionnaire survey. The questionnaire has been designed based on insights from previous research and expert feedback, employing a five-point Likert scale ranging from strongly disagree to strongly agree to capture respondents' views.

After data collection, the data has been analyzed using Microsoft Excel and SPSS, employing a range of statistical tools. Descriptive statistics have been utilized to summarize and describe the main features of the dataset, while correlation analysis has examined the relationships between variables. Multivariate regression models have been applied to assess the impact of Green Financing, Green Investment, and Corporate Social Responsibility on Sustainable Business Performance, providing a comprehensive understanding of these interactions. The research framework, adapted from Ye and Dela (2023), has positioned Green Financing, Green Investment, and Corporate Social Responsibility as independent variables, with Sustainable Business Performance as the dependent variable, thereby structuring the analysis to explore how these factors influence business sustainability.

Based on the findings of this study, it can be concluded that green financing, green investment, and corporate social responsibility (CSR) are indeed significant determinants of sustainable business performance in Nepal. The analysis has demonstrated that all three independent variables positively impact the dependent variable, sustainable business performance, with varying degrees of influence.

Green financing has been shown to exert a statistically significant positive impact on sustainable business performance, indicating its role as a crucial determinant. Similarly,

green investment has also exhibited a strong positive effect, highlighting its importance in enhancing business sustainability. CSR has emerged as a major contributor, with its impact being highly significant and substantial, further reinforcing its critical role in improving business performance. Overall, the study underscores that green financing, green investment, and CSR are essential factors driving sustainable business outcomes in Nepal. Their positive and significant effects confirm that these variables are key determinants of sustainable business performance, suggesting that efforts to promote and enhance these practices can lead to more sustainable and successful business operations.

Overall, this study has both practical and theoretical implications. Practically, the findings emphasize the importance of integrating green financing, green investment, and corporate social responsibility into business strategies to enhance sustainable performance. Organizations should actively adopt these practices to achieve better sustainability outcomes. Theoretically, the study contributes to understanding the positive relationships between these factors and sustainable business performance, supporting the development of frameworks that link environmental and social practices to business success. It is recommended that businesses and policymakers focus on promoting and implementing green initiatives and CSR to drive sustainable growth and performance.

## **5.2 Conclusion**

The first objective of this study is to assess public awareness of green financing, green investment, and corporate social responsibility (CSR) in Nepal. The analysis has shown that respondents generally hold positive perceptions of these concepts. Awareness of green financing and green investment is satisfactory, with respondents expressing favorable views towards these practices. Similarly, perceptions of CSR initiatives are also positive, indicating that people appreciate the importance of CSR activities. However, there is some fluctuation in the levels of agreement and emphasis on these factors, reflecting a range of opinions on the effectiveness and impact of green financing, investment, and CSR. Overall, the findings suggest that while there is a strong general awareness and positive attitude towards these concepts, variations in individual responses highlight the need for further efforts to enhance understanding and alignment across different segments of the population.

The second objective of this study is to analyze the relationship between green financing and sustainable business performance in Nepal. The analysis has revealed a moderate positive correlation between green financing and sustainable business performance,

indicating that as green financing increases, sustainable business performance tends to improve. This relationship is statistically significant, confirming that the positive impact of green financing on sustainable business performance is reliable and not due to chance. Similarly, green investment also shows a moderate positive correlation with sustainable business performance, suggesting that higher levels of green investment are associated with better performance. This relationship is also statistically significant, reinforcing the importance of green investment in enhancing business sustainability. On the other hand, corporate social responsibility demonstrates a strong positive correlation with sustainable business performance, implying that organizations engaged in higher levels of CSR are likely to experience significantly better performance. This relationship is notably significant, underscoring the crucial role of CSR in driving sustainable business outcomes. Overall, the findings indicate that all three factors, green financing, green investment, and corporate social responsibility, have meaningful and positive effects on sustainable business performance in Nepal.

The third objective of this study is to evaluate the impact of green financing on sustainable business performance in Nepal. The analysis has shown that green financing exerts a statistically significant positive impact on sustainable business performance. The results indicate that green financing has a notable positive effect, with its impact being both robust and significant, as there are no issues with multicollinearity affecting the results. Green investment also demonstrates a strong positive impact on sustainable business performance, with its effect being highly significant. This suggests that green investment plays a crucial role in enhancing business sustainability. Additionally, corporate social responsibility shows a highly significant and substantial positive impact on sustainable business performance. The findings confirm that CSR is a major contributor to improved business performance, with its influence being both strong and reliable. Overall, the study highlights that all three variables, green financing, green investment, and corporate social responsibility, have significant and positive effects on sustainable business performance in Nepal.

### **5.3 Implications**

#### **5.3.1 Theoretical Implications**

This study offers significant theoretical insights into the relationships between green financing, green investment, corporate social responsibility (CSR), and sustainable

business performance. By employing a robust research framework, the study has expanded the theoretical understanding of how environmental and social factors impact business outcomes. The findings affirm that green financing and green investment positively influence sustainable business performance, aligning with existing literature that underscores the importance of environmental sustainability in enhancing business success. The strong positive correlation between CSR and sustainable business performance further substantiates the theoretical assertion that socially responsible practices are crucial for improving organizational performance. These results contribute to the theoretical discourse by reinforcing the notion that integrating green and socially responsible practices into business strategies leads to better sustainability outcomes. The study's significant findings also highlight the need for further theoretical exploration into how different dimensions of green finance and CSR interact to influence business performance. This enriched theoretical perspective can guide future research in developing comprehensive models that capture the multifaceted impacts of green and socially responsible practices on organizational success, thus advancing the academic understanding of sustainability in business contexts.

### **5.3.2 Practical Implications**

The practical implications of this study are substantial for organizations and policymakers aiming to enhance sustainable business performance. The positive impact of green financing, green investment, and corporate social responsibility (CSR) on sustainable business performance underscores the importance of incorporating these practices into business operations. For practitioners, the findings suggest that investing in green financing and green investments not only aligns with environmental goals but also leads to improved business performance, making a compelling case for their adoption. Furthermore, the study highlights the critical role of CSR in achieving significant performance improvements, recommending that businesses integrate robust CSR initiatives into their strategies to foster sustainable growth. Policymakers can leverage these insights to design supportive frameworks and incentives that encourage the adoption of green and socially responsible practices. By promoting policies that facilitate green financing and investment, and by fostering a culture of CSR, they can drive broader adoption of these practices across industries.

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# APPENDICES

## Appendix I Questionnaire

Dear Sir/Mam,

I am currently conducting research for my master's degree dissertation titled "Effect of Green Financing on Sustainable Business Performance in Nepal." Your insights and experiences would be immensely valuable to this study.

I kindly request your participation in this research by answering a few questions related to green financing and its impact on business sustainability. Your responses will contribute significantly to understanding how these practices influence sustainable business performance.

If you are willing to assist, please let me know a convenient time for you, and I will provide you with the necessary details below. Thank you very much for your time and support.

Best regards,

Anil Nepal

### Part I: Demographic Profile

- |                             |  |
|-----------------------------|--|
| 1 Gender                    | Male<br>Female   |
| 2 Age Group                 | 18-25 years<br>26-35 years<br>36-45 years<br>Above 45 years      |
| 3 Educational Qualification | High School<br>Bachelor's Degree<br>Master's Degree<br>Doctorate |
| 4 Job Position              | Entry Level<br>Mid Level<br>Senior Level<br>Executive Level      |
| 5 Years of Experience       | Less than 1 year<br>1-3 years<br>4-6 years<br>7-10 years         |

6 Sector of Employment

More than 10 years  
 Banking  
 Finance  
 Manufacturing  
 Services  
 Other

**Part II: Core Questions**

Green Financing	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Our company has established policies to ensure that financing is directed towards environmentally sustainable projects.					
Our company has allocated a specific budget for green projects and initiatives.					
Our company has invested in green bonds or other similar financial instruments.					
Our company has received financing from banks or other financial institutions for green projects.					
Our company has engaged in advocacy or lobbying efforts to promote green financing at the national or international level.					
Our company integrates environmental considerations into its financing decisions.					
Green Investment	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Our company considers environmental preservation in its green investment decisions.					
Our company consistently makes green investments.					
Our company engages in green initiatives to fulfill its obligation to the environment and society.					
Our company finds the financial performance of green investment appealing.					
Our company is not reducing its green investment to cut costs.					

Our company prioritizes environmental sustainability in its investment strategies.					
Corporate Social Responsibility	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Our business participates in initiatives and campaigns that advance societal safety.					
Our business wants to grow sustainably while considering future generations' requirements.					
Our corporation supports non-governmental organizations that operate in troubled regions.					
Our business goes above and beyond what the law requires to protect customer rights.					
Our company fully and promptly complies with all legal regulations.					
Our business is committed to fulfilling its social responsibilities.					
Sustainable Business Performance	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Our organization's net profit margin has increased.					
Our organization's return on investment has increased.					
The growth of our profitability has been exceptional.					
Our profitability has surpassed that of our competitors.					
Our overall financial performance has outperformed our competitors.					
Our organization strives for outstanding financial performance while maintaining sustainability.					

**Appendix II**  
**Frequency Table**

**Gender**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	251	62.8	62.8	62.8
	Female	149	37.3	37.3	100.0
	Total	400	100.0	100.0	

**Age Group**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25 years	33	8.3	8.3	8.3
	26-35 years	128	32.0	32.0	40.3
	36-45 years	218	54.5	54.5	94.8
	Above 45 years	21	5.3	5.3	100.0
	Total	400	100.0	100.0	

**Educational Qualification**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School	42	10.5	10.5	10.5
	Bachelor's Degree	231	57.8	57.8	68.3
	Master's Degree	123	30.8	30.8	99.0
	Doctorate	4	1.0	1.0	100.0
	Total	400	100.0	100.0	

**Job Position**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Entry Level	91	22.8	22.8	22.8
	Mid Level	151	37.8	37.8	60.5
	Senior Level	109	27.3	27.3	87.8
	Executive Level	49	12.3	12.3	100.0
	Total	400	100.0	100.0	

**Years of Experience**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	33	8.3	8.3	8.3
	1-3 years	115	28.8	28.8	37.0
	4-6 years	185	46.3	46.3	83.3
	7-10 years	34	8.5	8.5	91.8
	More than 10 years	33	8.3	8.3	100.0
	Total	400	100.0	100.0	

**Sector of Employment**

		Frequency	Percent	Valid Percent	Cumulative Percent
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Valid	Banking	68	17.0	17.0	17.0
	Finance	80	20.0	20.0	37.0
	Manufacturing	98	24.5	24.5	61.5
	Services	89	22.3	22.3	83.8
	Other	65	16.3	16.3	100.0
	Total	400	100.0	100.0	

**Appendix III**  
**Reliability Test**

**Reliability Statistics of Green Financing (GFI)**

Cronbach's Alpha	N of Items
0.804	6

**Reliability Statistics of Green Investment (GIN)**

Cronbach's Alpha	N of Items
0.760	6

**Reliability Statistics of Corporate Social Responsibility (CSR)**

Cronbach's Alpha	N of Items
0.736	6

**Reliability Statistics of Sustainable Business Performance (SBP)**

Cronbach's Alpha	N of Items
0.826	6

**Overall Reliability Statistics**

Cronbach's Alpha	N of Items
0.899	34

**Appendix IV**  
**Normality Test**

**Tests of Normality**

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
GFI	0.148	400	0.000	0.941	400	0.000
GIN	0.118	400	0.000	0.957	400	0.000
CSR	0.135	400	0.000	0.941	400	0.000
SBP	0.117	400	0.000	0.937	400	0.000

a. Lilliefors Significance Correction

**Appendix V**  
**Descriptive Statistics**

	N	Mean	Std. Deviation
Our company has established policies to ensure that financing is directed towards environmentally sustainable projects.	400	3.7925	0.99091
Our company has allocated a specific budget for green projects and initiatives.	400	3.9300	0.91224
Our company has invested in green bonds or other similar financial instruments.	400	3.9925	0.92172
Our company has received financing from banks or other financial institutions for green projects.	400	4.0050	0.84366
Our company has engaged in advocacy or lobbying efforts to promote green financing at the national or international level.	400	3.8600	0.97096
Our company integrates environmental considerations into its financing decisions.	400	3.9150	0.91918
Our company considers environmental preservation in its green investment decisions.	400	3.6550	1.13322
Our company consistently makes green investments.	400	3.7875	0.99741
Our company engages in green initiatives to fulfill its obligation to the environment and society.	400	3.7425	1.03386
Our company finds the financial performance of green investment appealing.	400	3.9325	1.02497
Our company is not reducing its green investment to cut costs.	400	3.7600	1.05365
Our company prioritizes environmental sustainability in its investment strategies.	400	3.8525	0.99661
Our business participates in initiatives and campaigns that advance societal safety.	400	3.9875	1.06073
Our business wants to grow sustainably while considering future generations' requirements.	400	3.8825	1.01057
Our corporation supports non-governmental organizations that operate in troubled regions.	400	4.0200	0.92831
Our business goes above and beyond what the law requires to protect customer rights.	400	3.7825	1.13287
Our company fully and promptly complies with all legal regulations.	400	3.9250	1.01832
Our business is committed to fulfilling its social responsibilities.	400	3.8925	1.08577
Our organization's net profit margin has increased.	400	4.0125	0.90797
Our organization's return on investment has increased.	400	3.9600	0.97250

The growth of our profitability has been exceptional.	400	3.9825	0.97703
Our profitability has surpassed that of our competitors.	400	3.8875	0.97325
Our overall financial performance has outperformed our competitors.	400	4.0900	0.95351
Our organization strives for outstanding financial performance while maintaining sustainability.	400	3.7800	1.19380
GFI	400	3.9157	0.65891
GIN	400	3.7883	0.70142
CSR	400	3.9149	0.68377
SBP	400	3.9523	0.73151
Valid N (listwise)	400		

**Appendix VI**  
**Correlation Analysis**

Correlations<sup>b</sup>

		GFI	GIN	CSR	SBP
GFI	Pearson Correlation	1	.493**	.611**	.488**
	Sig. (2-tailed)		0.000	0.000	0.000
GIN	Pearson Correlation	.493**	1	.541**	.498**
	Sig. (2-tailed)	0.000		0.000	0.000
CSR	Pearson Correlation	.611**	.541**	1	.633**
	Sig. (2-tailed)	0.000	0.000		0.000
SBP	Pearson Correlation	.488**	.498**	.633**	1
	Sig. (2-tailed)	0.000	0.000	0.000	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

b. Listwise N:400

**Appendix VII**  
**Regression Analysis**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.665 <sup>a</sup>	0.443	0.438	0.54818

a. Predictors: (Constant), CSR, GIN, GFI

ANOVA<sup>a</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	94.508	3	31.503	104.835	.000 <sup>b</sup>
	Residual	118.998	396	0.300		
	Total	213.506	399			

a. Dependent Variable: SBP

b. Predictors: (Constant), CSR, GIN, GFI

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.772	0.189		4.082	0.000		
	GFI	0.124	0.054	0.112	2.289	0.023	0.590	1.696
	GIN	0.203	0.048	0.194	4.229	0.000	0.665	1.503
	CSR	0.492	0.054	0.460	9.098	0.000	0.551	1.815

a. Dependent Variable: SBP

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ABSTRACT This study examines

**the impact of green financing**, green investment, **and corporate social responsibility** (CSR) **on sustainable business performance**

in Nepal. The primary objective of this study is to assess public awareness of these concepts, analyze their relationship with business performance, and evaluate the impact of green financing on sustainability. The research design employs a combination of descriptive and causal-comparative approaches. The descriptive design evaluates public awareness of green financing, green investment, and CSR using descriptive statistics. Concurrently, the causal-comparative design assesses the impact of green financing on sustainable business performance. The study focuses on the Kathmandu Valley, with a sample size of 400 selected through convenience sampling. Data is collected via a structured questionnaire based on prior research and expert feedback, utilizing a five-point Likert scale. Data analysis is performed using Microsoft Excel and SPSS, with descriptive statistics summarizing the dataset and correlation analysis examining variable relationships. Multivariate regression models assess

**the impact of green financing**, green investment, **and CSR on sustainable business performance**

, following the research framework, which positions these factors as independent variables influencing the dependent variable. The findings reveal that green financing, green investment, and CSR positively impact sustainable business performance in Nepal. Green financing and green investment show moderate positive correlations, while CSR demonstrates a strong positive correlation with business performance. These relationships are statistically significant, indicating that all three variables are crucial for enhancing business sustainability. The study underscores the importance of integrating green financing, green investment, and CSR into business strategies to improve sustainable performance. Theoretical contributions