GREEN BANKING PRACTICES AND PERCEIVED FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KATHMANDU METROPOLITAN CITY

A Dissertation submitted to the Office of the Dean, Faculty of Management in Partial Fulfillment of the Requirement for the Master's Degree

By

Sabitri Neupane

Shanker Dev Campus

Campus Roll No.: 3733/075

Exam Symbol No.: 13921/19

TU Registration No.: 7-2-151-233-2013

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"Green Banking Practices and Perceived Financial Performance of Commercial Banks in Kathmandu Metropolitan City"**. 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 this dissertation.

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Sabitri Neupane

Date:

REPORT OF RESEARCH COMMITTEE

Ms. Sabitri Neupane has defended research proposal entitled **"Green Banking Practices and Perceived Financial Performance of Commercial Banks in Kathmandu Metropolitan City"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Rabindra Bhattarai submit the dissertation for evaluation and viva-voce examination.

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Rabindra Bhattarai
Dissertation Supervisor

Dissertation Proposal Defended Date:

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Dissertation Submitted Date :

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Asso. Prof. Dr. Sajeeb Kumar Shrestha
Research Department

Dissertation Viva-voce Date:

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Green Banking Practices and Perceived Financial Performance of Commercial Banks in Kathmandu Metropolitan City"** presented by **Sabitri Neupane** candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

.....
Rabindra Bhattarai
Dissertation Supervisor

.....
Internal Examiner

.....
Internal Expert

.....
External Expert

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee

.....
Asso. Prof. Dr. Krishna Prasad Acharya
Campus Chief

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Sabitri Neupane
Researcher

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ABBREVIATIONS

EPL	Environmental Protection License
EMS	Environmental Management System
GI	Green Investment
RM	Risk Management
GHR	Green Human Resource
GPS	Green Product/Service
NRB	Nepal Rastra Bank
SEM	Structural Equation Modeling
SAARC	South Asia Association Regional Cooperation
PCA	Product Corrective Action
GMM	Generalized Method Of Moments
CSR	Corporate Social Responsibility
ROA	Return on Assets
GBS	Green Business Strategy
SPSS	Statistical Package For Social science
PEP	Perceived Financial Performance

ABSTRACT

Climate change is one of the most significant and complicated issues facing modern society. People are becoming more conscious of global warming and its significant effects on human existence. It is now a worry for a number of stakeholders, including governments and direct polluters as well as financial organizations like banks that are essential to the advancement of society. Even if banking activities don't directly harm the environment physically, their customers' actions have a big influence on it. In an effort to significantly lesser their carbon footprint, banks are progressively incorporating green ideas into their construction, operations, and financing methodologies. The use of eco-friendly goods and services, such as online and mobile banking, ATM transactions, green deposits, mortgages, and loans, is one example of these practices. This quest is further aided by specific initiatives like the adoption of solar and wind energy, energy efficiency, mass transit, and paperless banking.

The current study is to investigate the benefits of green banking and assess consumer and bank employee understanding and attitudes of green banking practices in the Kathmandu Metropolitan Area. To measure awareness and perception, 400 workers from commercial banks in Kathmandu were chosen as the sample size for this inquiry. While secondary data is gathered from a variety of literary sources, including books and journals, primary data is gathered through surveys. To achieve the goals of the study, a descriptive research design is used, and inferential analysis is carried out utilizing statistical methods such as regression analysis and correlation in SPSS to investigate the relationship between variables.

The study's main goal is to examine how various elements interact with one another. The results point to a substantial correlation between the independent and dependent variables. It turns out, though, that bank clients are not entirely aware of the green banking options and services that are accessible to them. On the other hand, most bank staff members have a high degree of familiarity with Green Banking offerings. Moreover, a major obstacle to the uptake of green banking services is customer anxiety about the security of these services and possible exploitation of personal data.

Keywords: Green Investment, Risk Management, Green Human Resources, Green Products and Services.

CHAPTER-I
INTRODUCTION

1.1 Background of the Study

The severe impacts of the recent storms, floods, droughts, and intense heat that the world has been experiencing force us to give serious thought to global warming and its ramifications, and to take all necessary action to solve this issue. Businesses, individuals, and governments all play critical responsibilities in combating climate change and establishing sustainable environments. Thankfully, there is a rising dedication to addressing the environmental difficulties we confront, along with greater awareness. Stopping environmental degradation will have a big influence on future generations and our continued growth, in addition to the present. Consequently, it is imperative that people, regulatory agencies, and all business and industry sectors make proactive, diversified efforts (Teichmann, 2016).

Environmental awareness has grown in importance globally in recent decades among governments, corporations, advocacy groups, and the general people (Banerjee, 2012). As society grows more concerned with environmental performance, many discussions have arisen on issues like environmental degradation, climate change, ethics, social responsibility, marginalization, the creation of powerful advocacy groups, radicalism, and protests against capitalism (Jabbour and Santos, 2018). Previously restricted to homes and communities, environmental protection initiatives are increasingly crucial for enterprises (Gunathilaka, et al., 2015). Businesses benefit from these endeavors, and shareholders and investors are proud to be connected to them. It is now well acknowledged that industrial growth is a major worldwide environmental issue that needs rapid attention since it has contributed to ozone depletion, soil erosion, water and air pollution, global warming, and deforestation (Banerjee, 2001).

Organizations are now giving equal weight to social and economic success and environmental performance. The significance of an organization's environmental performance is emphasized by a number of global and regional environmental standards, agencies, and environmentally conscientious consumers. Environmental authorities have

responded to the public outrage over environmental concerns by imposing strict laws that organizations must abide with. Additionally, in order for companies to function, they must to get an Environmental Protection License (EPL). As a result, businesses are giving environmental conservation a higher priority in their day-to-day operations. Businesses have adopted environmental management strategies as a result of the increased public concern over environmental performance. In order to do this, a lot of businesses voluntarily use Environmental Management Systems (EMS).

According to Bansal and Hunter (2003), an environmental management system (EMS) is made up of management procedures that mandate businesses identify and manage their environmental effect. It offers a structure for reaching environmental performance goals. Businesses use EMS to better control their adverse environmental effects, preventing pollution, saving money by cutting back on waste and energy use, recycling, and improving their brand image overall. According to some writers, environmental management may be used as a strategy to increase an organization's competitiveness (Hart, 1995).

A dedication to protecting the environment has become essential in the present competitive landscape in order to gain a competitive edge. According to Miles and Covin (2000), an organization's environmental performance contributes to both economic and environmental advantages by improving its reputation and goodwill. This suggests that environmental problems like pollution, climate change, and energy crises present companies with possibilities as well as obstacles (Thevanes and Arulrajah, 2016).

Environmental concerns were long thought to be mostly unimportant to the banking industry. But in the last several years, this view has changed, and banks now acknowledge that the industry both impacts and is impacted by environmental challenges (McKenzie and Wolfe, 2004). Because banks provide a large portion of funding to a wide range of organizations and sectors, they bear a great deal of duty and obligation. Pollution of the environment may result indirectly from banks' failure to put robust verification procedures in place about the detrimental effects that the companies and industries they support have on the environment. Consequently, banks should prioritize encouraging financing and investments that are ecologically friendly (Thombre, 2011). A bank will

contribute to environmental deterioration if it funds companies and sectors that have a negative impact on the environment. On the other hand, banks must to take the initiative to make sure that businesses make investments in environmental management, make use of the right technology, and put in place efficient management systems (Masukujjaman and Aktar, 2013).

Therefore, banks may act morally by only lending money to businesses who put environmental issues first (Thombre, 2011). Even if the banking sector does not prioritize environmental preservation, by doing this, banks may contribute to the improvement of the general environment, the quality and conservation of life, the efficiency of material and energy consumption, and the quality of services and goods.

Environmental challenges are very crucial in growing industrialized nations. The necessity of policies and programs for the sustainable use of resources is highlighted by their reliance on natural resources for growth and development (Stockholm Environment Institute Report, 2013). All businesses, including financial services and especially banks, are under pressure to implement environmentally friendly practices due to the growing attention being paid to environmental concerns on a worldwide scale. As responsible business organizations, banks have a duty to address environmental concerns as well as possibilities. The actions of their clients have a considerable external influence even if banking operations are not directly tied to the environment. As a result, banks must integrate green banking practices into their financing plans, investments, operations, and physical spaces. By assisting businesses using clean energy and renewable energy technology, green banking helps lower carbon footprints (Sahoo and Nayak, 2007; Bihari and Pradhan, 2011).

In summary, the green banking strategy entails using eco-friendly procedures at all levels, from incorporating eco-friendly practices within financial institutions to taking the environmental effect of projects into account when funding and investing. As green banking helps banks function better environmentally, it has grown in importance as a field of study in recent years. Many Nepalese commercial banks are currently making an effort to go green by providing their clients with a range of eco-friendly goods and services and incorporating environmental concerns into their day-to-day operations.

Studying green banking practices in connection to banks' environmental performance is therefore essential.

1.2 Problem Statement

The growing cost of energy and increased energy usage are two main drivers of green banking adoption. More openness from businesses about their environmental actions and footprint is being demanded by government agencies and investors (Sahoo and Nayak, 2007).

While environmental deterioration may not directly affect banking and financial organizations, the stringent environmental laws enforced by supervisory agencies result in indirect cost savings for them. In order to run their enterprises, bank debtors are required to abide by certain criteria; failure to do so may result in severe penalties, fines, legal ramifications, or firm closures, hence raising the risk of loan defaults (Masukujjaman and Aktar, 2013).

Long-term cost reductions are linked to green banking, which might raise a company's perceived performance and net profit. Numerous research have demonstrated that perceived financial performance and green banking are positively correlated. For example, Jabbour and Santos (2018) came to the conclusion that companies might increase their profits by using sustainable business practices. Nonetheless, other research has shown no correlation between green banking and perceived financial performance (Banerjee, 2001), while other research has indicated a negative correlation, suggesting that companies that prioritize pollution management and carbon footprint disclosure were less successful (Thombre, 2011). It is difficult to assess the accuracy of these research because of these inconsistent results.

Green banks have fewer clients since they only do business with organizations that make it through their screening procedure. It usually takes three to four years for green banks to turn a profit, so they are still in their infancy and are not very helpful during recessions. To deliver appropriate services, green banks need skilled, knowledgeable employees, especially loan officers with knowledge of green enterprises. Participating in ventures that negatively impact the environment might damage a bank's reputation.

Environmental management systems have occasionally resulted in lower costs and higher bond prices. Lending to clients whose companies are impacted by pollution costs, legislative changes, and new emission rules increases credit risks and raises the possibility of default owing to unanticipated costs, loss of market share, and third-party claims.

Customers may need some time to get used to the new idea of green banking. Recycling methods and renewable energy sources demand pricey technology. Another difficulty is data protection. To successfully adopt green banking practices, bank staff members require training. Surveys on green banking might be a useful instrument for evaluating Nepal's commercial banks' financial standing. Like their Indian counterparts, Nepalese banks are lagging behind in implementing green banking practices. The majority of banks either deny knowledge of green banking practices and sustainability or act as though they do. The purpose of this study is to attempt to address the following research questions:

1. What are the green banking practices of commercial banks in Kathmandu Metropolitan City?
2. What is the relationship between green banking practices andperceived financial performance of commercial banks in Kathmandu Metropolitan City?
3. What is the impact of green banking on financial performance of commercial banks in Kathmandu metropolitan city?

1.3 Objectives of the Study

The present study is conducted with the objectives of assessing the topic of green bank with the comparative study of commercial bank in Kathmandu Metropolitan City.
The specific objectives are as follow:

1. To identify the green banking practices of commercial banks in Kathmandu Metropolitan City.
2. To examine the relationship between green banking practices and perceived financial performance of commercial banks in Kathmandu Metropolitan City.
3. To identify the impact of green banking on financial performance of commercial banks in Kathmandu Metropolitan City.

1.4 Research Hypothesis

Following hypotheses have formulated for the study:

H_1: There is significant relationship between Green Investment (GI) and Perceived Financial Performance.

H_2: There is significant relationship between Risk Management (RM) and Perceived Financial Performance.

H_3:There is significant relationship between Green Human Resource (GHR) and Perceived Financial Performance**.**

H_4: There is significant relationship between Green Product/Service (GPS) and Perceived Financial Performance.

1.5 Rationale of the Study

The purpose of this study is to investigate Nepalese commercial banks' green banking policies and how they affect the banks' perceived financial performance. It tries to identify which green banking techniques are most important for improving the banks' financial sustainability through study of diverse practices. The research has relevance since it has the ability to clarify the significance of green banking inside the Nepalese commercial banking sector, as well as its wider consequences. It will show the possible advantages for people, businesses, and society at large in addition to offering insights into how green banking practices may affect banks' bottom lines. Because it provides insightful information about how green banking may support financial sustainability and environmental responsibility, this study is relevant to a wide range of stakeholders, including bank executives, legislators, investors, and the general public.

1. The study is helpful for Nepalese commercial banks in the first place because it compares the perceived financial success of the banking sector with the effects of green banking practices.
2. It aids in comprehending what green banking entails, what steps banks should take to seize chances, and how to go beyond obstacles.
3. This study can be read by anybody who is interested or used as a reference by other researchers who wish to do more research in this or similar fields.

4. It is possible to argue that the country's green banking industry is still in its infancy, but this research will warn bankers about potential difficulties by warning them about them now.
5. It also supports bank policy makers when it comes to green banking practices.

1.6 Limitations of the Study

Every research has certain boundary since the world is dynamic therefore this study also is not an exception. The main limitations of the study are as follows:

1. The study is in the context of Nepalese commercial banks only which may fail to represent the actual scenario of the whole industry.
2. The primary data for the study is collected through structured questionnaire from commercial banks customers residing in Kathmandu Metropolitan City only and the accuracy of the analysis depends upon the data provided by the commercial banks customers.
3. This study is prepared on the basis of casual and descriptive research design.
4. The study is done with limited volume of population sample and findings which cannot be fully generalized, as study that is more rigorous is needed with initial from this study.

CHAPTER-II
LITERATURE REVIEW

The literature review is a thorough summary of earlier studies related to a certain topic. It includes academic books, papers, and other pertinent materials in the area of interest. The researcher highlights both the advantages and disadvantages of each source in this review by providing summaries, descriptions, and critical assessments of each. The literature review may also highlight any conflicts or gaps in the body of current research, pointing to areas that need more study. Using ideas from a variety of writers, this chapter provides a survey of the literature on the application of behavioral finance to investing decision-making. It provides the reader with a current description and discussion of research findings in this field. This chapter covers a number of specific subjects, such as conceptual frameworks, theoretical debates, critiques of earlier research, and identified research needs.

2.1 Conceptual Review

The aim of the conceptual literature review is to organize and elucidate concepts pertinent to the study or topic and establish connections between them, incorporating relevant theories and empirical research. This study seeks to clarify the various terms associated with behavioral finance and investment decision-making.

2.1.1 Commercial Bank in Nepal

Commercial banks, which are usually controlled by a consortium, function to make a profit. They are the main privately run financial institutions in many major economies, including the economy of Nepal. They include financial planning, insurance sales, investment advising, and security underwriting in addition to standard banking services.

While profitability is an important objective, the main emphasis of banking activities is the interest of the client. Providing clients with high-quality services is the path to profitability. By granting loans to businesses, industry, and agriculture as well as providing banking services to the general public, commercial banks seek to improve economic wellbeing (Thapaliya, 2019).

Like everywhere else, banks and other financial institutions in Nepal are very concerned with loan acquisition. There were 126 financial institutions in existence as of mid-July 2022, comprising 66 'D' class Micro Finance Financial Institutions, 17 'B' class Development Banks, 26 'A' class Commercial Banks, and 17 'C' class Finance Companies (NRB, 2022).

Although they actively support green initiatives inside their organizations, commercial banks also play a key role in funding carbon-intensive sectors including steel, paper, cement, chemicals, fertilizers, electricity, and textiles. In order to help create a strong and long-lasting low-carbon economy, banks are, as a result, implementing optional rules to handle social and environmental issues related to funded initiatives both inside and outside of their companies. Banks are increasingly supporting green growth through programs like green banking practices (Jain, 2017).

2.1.2 Green Banking

There are two primary components to green banking strategy. The management of environmental risk comes first, followed by the search for novel financial products with an emphasis on the environment. In order to evaluate the risks connected to investment projects, banks must build strong environmental management systems in order to control environmental risk. By using strategies like variable interest rates and other tactics, these risks can be reduced. Banks may also decide not to provide any funding at all for projects that carry a high level of risk.

The development of financial services and products that support business growth and help the environment is the second facet of green banking. This includes funding cleaner industrial methods and technologies, supporting energy efficiency, investing in renewable energy projects, supporting biodiversity conservation, and providing bonds and mutual funds specifically designed for environmental investments (Pathak and Yadav, 2014).

Green banking offers a lot of benefits. It eliminates the need for tree cutting by reducing paperwork through the facilitation of online or electronic processes. Additionally, it

encourages company executives to embrace environmentally responsible business practices by increasing their knowledge of social and environmental responsibility. Since green banking organizations have a greater focus on ecological benefits, their loans often have lower interest rates, which encourages environmental sustainability (Nath and Goel, 2014).

2.1.3 Financial Performance

Financial performance measures how successfully a business uses its resources to run its operations and make money, which is a good indicator of the business's financial health. A company's financial performance is evaluated using a variety of metrics to show whether or not it is operating successfully. Profitability, liquidity, solvency, financial efficiency, and repayment capability are some of these indicators.

One particularly important metric is profitability, which expresses how much a company makes by using its resources—land, labor, money, and management—to create profits. Metrics like operating profit margin, return on equity, and return on assets are commonly used to evaluate profitability (Pathak and Yadav, 2014).

Conversely, financial efficiency measures how well a business uses its resources to produce net profits. It also shows how well different choices about funding, product price, procurement, and production worked out (Jain, 2017).

2.1.4 Perceived Financial Performance

An individual's efficacy in carrying out the tasks and obligations related to their employment is assessed based on their work performance. It includes the duties and responsibilities required of an employee as well as the degree of skill with which they must be completed. Measurable acts, behaviors, and outcomes that support and advance corporate goals are all part of work performance. It is an outcome that is related to employee performance, and improving actual performance frequently has a beneficial effect on how others perceive performance (Teichmann, 2016).

2.2 Theoretical Review

This paper aims to provide a comprehensive analysis of behavioral finance theories and principles with respect to investing choices. The purpose of the theoretical literature review is to identify current ideas, their connections, the depth of their investigation, and to develop new testable hypotheses. It is frequently used to draw attention to the shortcomings of existing theories or to show how inadequate they are for explaining new or developing research problems. A framework, a theory as a whole, or a single theoretical idea may be the subject of the analytical unit.

Application of the Theory of Change

When evaluating inputs, actions, outputs, results, and impacts—that is, how certain interventions are anticipated to result in changes and successes—the Theory of Change paradigm is frequently employed. This framework shows the link between actions and the expected outputs, consequences, and impacts arising from their execution, giving a logical foundation for comprehending changes and objectives. The Theory of Change framework accomplishes a number of goals, including communicating change processes to internal and external stakeholders, improving organizational understanding, and improving programmatic theories (learning). It also maps the change process and its expected outcomes to facilitate project implementation (strategic planning). For the purpose of assessing the state of green banking, doing gap assessments, determining the steps required to close gaps and remove obstacles, and outlining anticipated outcomes and implications, this theory can be a useful strategic framework and instrument. The Theory of Change can help determine future analytical methodologies and data gathering requirements, given the paucity of data available in this field of study. In order to identify and close the gap between change objectives and possible outcomes, barriers and gaps will take precedence over inputs when using the Theory of Change paradigm to green banking. Results will also incorporate outcomes and outputs. Based on market observations and literature research, data on actions and impediments have been gathered. Green banking initiatives that promote climate-resilient sustainable development and lower greenhouse gas emissions are expected to have the intended effects and results (Gunathilaka, et al. 2015).

Theory of Change at the Sectorial Level

In order to increase both the supply and demand for green banking goods and services, the Theory of Change in green banking at the sectorial level focuses on enacting systemic adjustments and transformations throughout the whole banking industry. Because it incorporates participation with other stakeholders, including project developers, recipients, and government agencies, it is therefore more inclusive than the Theory of Change at the institutional level. Institutional obstacles can be created by sectorial barriers, which can also affect the operations of individual banks. Given the highly regulated nature of the banking industry, banks are frequently discouraged from participating in green banking operations by the lack of an enabling environment and regulatory framework. To mitigate the risks associated with an energy transition and eventually promote a more sustainable economy, the banking sector, for example, should set conditions for the firms it finances, especially those in carbon-intensive industries (Teichmann, 2016). Inadequate financial incentives for banks and project developers, together with restricted access to reasonably priced financing, are further sectorial obstacles. Activities like capacity building and gaining access to long-term and concessional finance are required to remove these obstacles. Financial institutions must also work more to find, create, and promote internal knowledge of climate change initiatives. The money available for climate change initiatives will rise as a result of these efforts. Creating a gender policy and environmental and social protections, such as a climate strategy, would also help secure internal stakeholders' support and facilitate efficient project management.

Theory of Change at the Institutional Level

According to the Theory of Change in institutional green banking, a large number of financial institutions do not actively provide green banking services and products because they frequently do not believe that the green and climate change industries can be profitable. This view is a result of the perceived dangers connected to climate change initiatives as well as the lack of ability or desire to grow and diversify the financial supply in the industry. Financial institutions, especially those in poor nations, frequently encounter obstacles including short-term and expensive finance, which limits their

capacity to provide borrowers more cheap financing—a vital component in driving demand for climate initiatives in the market. A lack of knowledge about the best climate technology and commercial prospects, as well as the lack of comprehensive climate change policies and social and environmental protections required for funding climate change initiatives, are further obstacles. The establishment of green financial goods and services is hindered by knowledge gaps that arise throughout the design and operationalization process, as well as the substantial upfront expenses associated with evaluating and validating technological performance. Building capability and gaining access to long-term, concessional finance are crucial steps in reducing these obstacles. Financial institutions must also work more to find, create, and promote internal knowledge of climate change initiatives. The money available for climate change initiatives will rise as a result of these efforts. Furthermore, creating a climate plan and putting social and environmental protections into place, such as gender policies, can help win over internal stakeholders and manage projects well (Teichmann, 2016).

Integrated Theory of Change Framework

Due to the various obstacles and gaps that need to be filled as well as the actions that need to be done in order to get the intended outcomes and impacts, mainstreaming green banking into fundamental banking policies and practices continues to be difficult at the institutional and sectorial levels. Impediments to the development of green banking are referred to as barriers or gaps; they can be found at the institutional as well as sectoral levels and are frequently interrelated. For instance, unless financial institutions act willingly on their own or together, sectorial obstacles are likely to naturally transform into institutional barriers. Financial institutions are expected to take the majority of the responsibility for their actions, although the public and private sectors can split the expenses of moving to green banking by lowering obstacles and carrying out desirable activities. The domestic public sector may help with the transition by offering tax breaks, subsidies, and policy loans, among other policy initiatives. Conversely, long-term concessional loans and grants for capacity building and technical support can be obtained from the international public sector, including climate funds and multilateral development banks. By creating bankable climate initiatives and technology, the private

sector may make a contribution (Gunathilaka, et al. 2015). It is also expected that both sectoral and institutional outcomes would materialize. According to the Theory of Change, demand for these loan products should be stimulated within the nation, propelling the growth of green banking activities, if a green financing program with more affordable terms for climate purposes is established and banks' capacity is strengthened. It is anticipated that increasing lending for projects aimed at mitigating greenhouse gas emissions and promoting climate resilience would have a ripple effect on the economy of the nations where these green banking initiatives are implemented (Teichmann, 2016).

Expectation Confirmation Theory of Perceived Financial Performance

According to the expectation-confirmation theory, post-purchase satisfaction is influenced by expectations as well as perceived performance. Positive or negative disconfirmation between expectations and performance acts as a mediating factor for this impact. A product leads to post-purchase pleasure when it meets or surpasses expectations (positive disconfirmation). On the other hand, the customer is likely to be unhappy if a product does not live up to expectations (negative disconfirmation) (Oliver, 1980). The expectations, performance, disconfirmation, and satisfaction are the four primary constructs of the model. Anticipated conduct is reflected in expectations (Behson, 2010). They are forecast, showing anticipated future characteristics of the product (Spreng, 2012). In the Expectation Confirmation Theory, expectations are the benchmark by which customers assess performance and make disconfirmation decisions. It is hypothesised that disconfirmation influences satisfaction, with positive disconfirmation resulting in contentment and negative disconfirmation resulting in discontent.

2.3 Empirical Review

Mishra (2023) conducted a study on the adoption of green banking practices in commercial banks in Nepal. The main goal was to evaluate the state of green banking practices at the moment and determine the variables affecting their uptake in Nepal's commercial banks. The research data were thoroughly examined through the use of statistical tests and analyses in the study. The data was analyzed using descriptive

statistics like mean and standard deviation. According to the findings, among the five independent variables examined, Brand Image had the highest mean value, suggesting that people believe it has a significant impact on people's adoption of green banking practices. Then came the demands of stakeholders, financial benefits, regulatory policies, and environmental interest. Additionally, the mean of the dependent variable, Adoption of Green Banking Practices, indicated that respondents agreed that regulatory policies, stakeholder demand, environmental interest, financial benefits, and brand image are some of the factors that influence the adoption of green banking practices. All things considered, this study advances knowledge on the adoption of green banking and offers useful recommendations for sustainable banking methods in Nepal.

Rathod and Dewan (2022) examined the perspective and usage patterns of green banking services through a cross-sectional analysis of customers from selected banks in Kerala. The purpose of this study was to investigate the major factors influencing customers' adoption of green banking and to comprehend how they perceive, are aware of, and use green banking services. 206 clients from three banks in Kerala, India, made up the sample. According to the survey, consumer impression differed according to their affiliated bank and demographics. It was determined that consumer problems, customer satisfaction with green banking services, and the adoption of these services differed among banks.

Zhang, et al. (2022) looked at how banks' environmental performance is enhanced by green banking practices. The purpose of the study was to determine how private commercial banks in Bangladesh performed environmentally and how green banking operations affected green funding. It also looked at how green finance mediated the link between environmental performance and green banking operations. Convenience sampling was used to gather primary data from bankers of private commercial banks in Bangladesh for the study, yielding a final sample size of 352. To evaluate the correlation between the research variables, structural equation modeling, or SEM, was utilized. According to the research, participating in green banking activities may improve a bank's competitiveness, save long-term expenses, offer online banking, foster better client relations, and lessen carbon footprints. These endeavors support the growth of a

sustainable economy. Major theoretical and management policy implications were also covered in the paper, along with suggestions for further research.

The effect of green banking policies on the environmental performance of Sri Lankan banks was examined by Shaumya and Anton (2022). Measuring the effect of green banking policies on banks' environmental performance was the goal. Using a standardized questionnaire, 155 workers of certain bank branches provided primary data. Univariate, bivariate, and multivariate analyses were performed on the data. The results showed that green banking practices had a good overall impact on banks' environmental performance. The environmental performance of banks was shown to be significantly improved by employee-related activities, daily operation-related practices, and policy-related practices. Customer-related procedures, however, did not have any appreciable influence.

The objective of Risal and Joshi (2022) was to assess how Nepalese banks' environmental performance was affected by green banking policies. The study used a stepwise and straightforward multiple regression analysis using a casual relational research methodology. Convenience sampling was used to gather data from 189 bank samples in the Kathmandu Valley. The results showed that while green loans and projects had little effect on banks' environmental performance, energy-efficient equipment and green policies did. Training in the environment had a minimal impact. According to the survey, in order to improve banks' standing and raise consumer awareness, it is critical that the government and banks support environmentally friendly technology.

Chen, et al. (2022) looked at how banks' environmental performance and green financing were affected by green banking practices. The study sought to determine the sources of green funding used by private commercial banks in Bangladesh as well as the effects of green banking practices on banks' environmental performance. Primary data were collected from a cross-sectional sample of 322 banking workers using a survey approach. To determine important correlations between the research variables, structural equation modeling, or SEM, was utilized. The results showed that while customer-related activities had no discernible beneficial impact on green financing, staff, day-to-day operations, and

policy-related green banking practices did. Furthermore, banks' environmental performance was significantly impacted by financing for green projects. In contrast to employee- and customer-related activities, daily operations and policy-related practices also have a substantial influence on banks' environmental performance.

The effect of financial performance on green banking disclosure in Bangladeshi listed banking businesses was examined by Hoque, et al. (2022). The study looked at the quality of financial performance of thirty banks that are listed on the Dhaka Stock Exchange and the link between green banking disclosures and that performance. After analyzing time-series data from 2018 to 2021, 70 effective samples were chosen in accordance with the availability of disclosures related to green banking. Spending on green banking was used as the dependent variable in a multivariate analysis, while profitability, liquidity, and solvency—three indicators of financial performance—were used as the independent variables. The study discovered no statistically significant correlation between green banking disclosures and solvency or liquidity, but a sizable positive association between profitability and green banking disclosures. According to the research, financially successful banks are more likely to make investments in environmentally friendly ventures that promote sustainable growth.

In Bangladesh, Akhter and Yasmin (2021) looked at the factors that influence green credit and how it affects output. Their study's main goal was to evaluate the impact of green credit on bank performance. Results showed that characteristics including bank type, return on equity, and financial stability had an impact on green credit even if the study did not find a statistically significant association between green credit and other variables like loan-to-deposit ratio and bank size. The analysis emphasized the cyclical connection between profitability, financial stability, and green credit. The aforementioned results offer significant insights into the impact of green credit on the stability and financial performance of banks. This information is critical for central bank authorities and bankers alike to further green lending programs.

Ikram and Akhtar (2021) examined corporate governance, performance, and green banking in a few SAARC nations. Their study sought to assess how listed banks in

SAARC nations—Pakistan, India, Bangladesh, Sri Lanka, and Nepal—performed in relation to green banking transparency and corporate governance practices. The goal of the research was to incorporate central bank standards from different SAARC nations to build a composite green banking transparency index. This study employed the PCA and system GMM step one approaches in a novel way to the disclosure sector of green banking. Targeting SAARC nations—which are most susceptible to climate threats and global warming—the study investigated previously unrecognized dynamic links. A new angle on disclosure procedures was brought about by the creation of a composite green banking disclosure index. In order to investigate unobserved associations with business performance indicators including market value, going concern value, and profitability, this index can be used as an independent, mediator, or moderator variable. Within the context of the theory of change and financial intermediation theory, the study assessed the efficacy of central bank green banking standards on a regional and worldwide scale. In addition, the controlling hypothesis and agency theory were used to the examination of corporate governance practices and company market value. The results point to the necessity of reorganizing corporate governance frameworks in order to enhance the market value of banks in Bangladesh, Nepal, India, Pakistan, and Sri Lanka.

Table 2.1

Summary of empirical review

Author /Date	Objectives	Methodology	Variables	Results
Mishra (2023)	To investigate the current state of greenbanking practices along with the factors influencing the adoptionin commercial banks in Nepal.	Meanand standard deviation	Independents: Brand Image Financial Benefit Environment Interest Regulatory Policies Dependent: Green	According to the results, brand image is thought to be the most significant factor impacting the adoption of green banking practices out of the five independent factors. Additionally, it appears from the dependent variable, Adoption of Green Banking Practices, that

			Banking Practices	respondents concur that the independent variables—Regulatory Policies, Stakeholder Demand, Environmental Interest, Financial Benefits, and Brand Image—have an impact on the adoption of green banking practices. All things considered, this study adds to the expanding corpus of information on the implementation of green banking and provides useful advice for sustainable banking practices in Nepal.
Rathod and Dewan (2022)	To understand the perception, awareness and usage-patterns of green banking among the customers	Analytical Research Design	Independents: (perception, awareness and usage-patterns) Dependent: (customers satisfaction)	The survey reveals how clients utilize green banking services, how satisfied they are with them, and what obstacles they encounter while using green banking.
Zhang, Wang, Yang and Siddiki (2022)	To identify the impact of green banking activities on green financing and banks environmental performance	Structural Equation Modelling (SEM)	Independents: (green banking activities, sources of green financing) Dependent: (environmental performance)	The study found that the main advantages of green banking development, which aids in the achievement of the nation's sustainable economic development, include boosting banks' competitiveness, lowering long-term costs and expenses, offering online banking services, enhancing

			customer goodwill, and lowering carbon footprints.
Shaumya and Anton (2022)	To measure the impact of green banking practices on bank's environmental performance.	Univariate, bivariate and multivariate analyses	Independents: (employee related practice, daily operation related practice and banks policy related practice) Dependent: (environmental performance)	The study's conclusion showed that green banking practices significantly and favorably affect banks' overall environmental performance. Additionally, it was shown that practices pertaining to employees, daily operations, and bank policies all had a positive and substantial influence on the environmental performance of banks; in contrast, practices pertaining to customers had no discernible effect on the environmental performance of banks.
Risal and Joshi (2022)	To analyze the impact of green banking practices on banks environmental performance in Nepal	Cross-sectional qualitative research	Independents: (energy efficient equipment, green policy, green loan and green	The study's findings indicated that green policies and energy-efficient equipment had a substantial influence on banks' environmental performance, whether or not they were used in green projects or

			project)loans. Dependent: (environmental performance)	
Chen, et al. (2022)	To identify the impact of GB practices on banks environmental performance and sources of green financing of private commercial banks (PCBs) in Bangladesh	Structural equation modeling (SEM) approach	Independents: (employee related practices, customer related practices, policy related practices and sources of green financing) Dependent: (environmental performance)	The results showed that, in contrast to banks' customer-related GB practice, which was not statistically significant, bank staff, daily operations, and policy-related GB practices have substantial beneficial effects on green financing.
Hoque, Masum and Abdullah (2022)	To examines the impact of green banking disclosures on the quality of financial performance over thirty listed banks of the Dhaka Stock Exchange	Multivariate analysis	Independents: (profitability, liquidity and solvency) Dependent: (financial performance)	The study concluded that there is a strong positive correlation between ROA and green banking disclosures. By contrast, there is no statistically significant correlation between green banking spending and the other two financial performance factors, LR and DAR.

Akhter and Yasmin (2021)	This paper aimed to provide empirical evidence on the behavior of the investor toward mutual funds.	Percentage Analysis and Multivariate Analysis	Independents: (green credit, loan to deposit ratio and bank size) Dependent: (financial performance and financial stability)	The findings showed that bank type, return on equity, and financial stability all influence green credit. Green credit has a cyclical relationship with financial stability and profitability.
Ikram and Akhtar (2021)	To create green banking disclosure index by combining all central bank guidelines from selected SAARC countries	descriptive and explanatory research design	Independents: (Life Skills, Bargaining Power, Financial Efficiency and Financial Wellbeing) Dependent: (Financial Literacy)	The results imply that changing the corporate governance structure is necessary to increase the market value of banks that are owned by Bangladesh, Nepal, India, Pakistan, and Sri Lanka.

2.4 Research Gap

The literature review has made a substantial contribution to strengthening the fundamental knowledge required for the meaningful and intentional conduct of this investigation. Lending methods, cash management, financial performance, and inventory management at different commercial banks have all been extensively studied by scholars.

A variety of ratio analysis approaches have been used by researchers to carry out these analyses. Prior research on evaluating banks' financial performance has mostly concentrated on narrow ratios, which could not fully address the fundamental problems.

Numerous factors impact the management of perceived financial success. This study conducts a thorough analysis and generalization of several green banking techniques. The state of green banking practices and their effect on the perceived financial performance of Nepali commercial banks have not been well studied by previous academics.

Using trend analysis and other statistical techniques, this research assesses the financial performance of commercial banks by thoroughly examining both financial and non-financial characteristics. Data from surveys is analyzed using financial instruments. Despite being from a single fiscal year, the information is accurate and up to date.

Through the use and analysis of many financial instruments, including trend analysis and coefficient of correlation, this study aims to define perceived financial performance. This project is probably a suitable investigation into the field of bank financial performance and institutions. The majority of international research has addressed or focused on green banking practices as factors influencing bank sustainability. This includes studies from Western nations, Bangladesh, China, India, and Bangladesh.

To the best of the author's knowledge, nonetheless, not many research have examined how green banking practices and banking sustainability relate in Nepal. Simultaneously, research on sustainability concerns in organizational management is becoming more popular worldwide. As a result, the current study makes a significant addition to the area by attempting to fill the vacuum in the literature while also examining the important link between green banking practices and bank sustainability in Nepal.

CHAPTER-III

RESEARCH METHODOLOGY

In order to achieve the goals of the study, a certain research approach needs to be used. The purpose of this chapter is to describe the research methodologies that were used. It includes the selected research design, demographic and sample details, the sampling strategy used, the data sources consulted, the methods for gathering data, and the analytical tools used to evaluate the information and determine whether green banking practices and the perceived financial performance of Nepalese commercial banks are related.

3.1 Research Design

The study design acts as a road map to help researchers reach their objectives. This study focused on how workers at commercial banks in Kathmandu Metropolitan City assessed their financial performance in relation to green banking practices. An casual and descriptive study approach was used to achieve this goal. In this study, self-administered data collection was conducted using a pre-tested questionnaire. The quantitative data acquired by giving respondents questionnaires was used to produce the research conclusions.

3.2 Population and Sample

The research population consists of personnel working in commercial banks in Kathmandu Metropolitan City, categorized as either officer-level (managers, assistant managers, and chief executives) or assistant-level (supervisors, junior assistants, and senior assistants). This includes staff members who are employed by various banks in Kathmandu Metropolitan City's corporate and branch offices. As a result, the population of the study is the whole workforce of commercial banks in the Kathmandu Metropolitan Area, with 600 employees chosen as the sample size. Out of the 600 employees who received surveys, only 400 of them replied. 400 people make up the study's sample size as a result.

3.3 Nature and Sources of Data

This study is mainly based on primary data. primary data were collected using a structured questionaire technique . the questionaire indicates five point likert scale Participants were asked to rate their responses on a scale from one (strongly disagree) to five (strongly agree). Demographic information, including gender, age, income level, type of employment, and education level, was gathered via questionnaire. Respondents were briefed on the study's objectives and requested to complete the questionnaire.

3.4 Instrument of Data Collection

Data collection for the study primarily relied on a meticulously designed questionnaire. The questionnaire used in previous studies by Risal and Joshi (2022), Chen, Siddik, Zheng, Masukujjaman, and Bekhzod (2022), as well as Hoque, Masum, and Abdullah (2022), was adopted to assess green banking practices and their influence on employees' perceived performance. The questionnaire comprised structured questions with single-response options and a five-point Likert Scale. Employees were approached directly in their workplace to distribute the questionnaires.

3.5 Methods of Analysis

The collected data was subjected to quantitative analysis techniques. To display the quantitative data in tables, descriptive analysis was used, along with frequencies and percentages. The Statistical Package for Social Science (SPSS Version 20.0) was used to code and input the questionnaire data into the computer for analysis. This made it easier to use the regression model to calculate the standard deviations, correlations, and frequency distributions for each independent and dependent variable in respect to the five independent variables. The main descriptive statistics that were used were mean, percentage, and standard deviation. In order to give a thorough representation of the data, measures of central tendency were used in this investigation.

3.6 Analysis Tools

3.6.1 Reliability Test

Cronbachs Alpha (α) was used to test the reliability of the study. It is used to measure the internal consistency. According to Bonett (2002) Cronbachs Alpha is commonly used to test the internal reliability. Cronbachs Alpha is also known as coefficient of reliability (or consistency) so, coefficient of 0.70 or higher is considered to be acceptable.

Table 1
Test of Reliability

Variable	Cronbachs Alpha	Number of Items
Green Investment	0.798	4
Risk Management	0.798	4
Green Human Resource	0.820	4
Green Product/Service	0.817	4
Perceived Financial Performance	0.779	6
Overall	0.937	5

Source: Field Survey, 2024

Table 1 highlights the value of Cronbachs Alpha for each variable under the study was greater than 0.7, which support the notion that the study was reliable.

3.6.2 Descriptive Statistics

Descriptive statistics were employed to elucidate the demographic traits of both the respondents and the employees of the commercial banks. Analytical tools such as frequency, percentage, mean, and standard deviation were utilized for this purpose. The analyzed data were then showcased through percentage and frequency tables, aiding in the comparison of the study's results.

3.6.3 Correlation Coefficient Analysis

A correlation coefficient serves as a statistical indicator of how alterations in one variable anticipate changes in another. The Karl Pearson measure, also referred to as the Karl Pearson correlation coefficient, between two variable series x (x, y) can be calculated as:

$$r = \frac{n\sum xy - \sum x.\sum y}{\sqrt{n\sum x^2 - (\sum x)^2}\sqrt{n\sum y^2 - (\sum y)^2}}$$

Where,

r = correlation coefficient

n = no. of year

$\sum x$ = Sum of series X

$\sum y$ =Sum of series Y

$\sum xy$= Sum of the product X and

$(\sum x)^2$= Sum of squares of series X

$(\sum y)^2$=Sum of squares of series Y

A correlation coefficient serves as a statistical indicator of how alterations in one variable anticipate changes in another. The Karl Pearson measure, also referred to as the Karl Pearson correlation coefficient, between two variable series x (x, y) can be calculated as:

3.6.4 Casual Comparative Analysis (Regression Analysis)

Linear regression analysis is a fundamental and widely employed form of predictive analysis. It comprises a set of statistical procedures used to estimate dependent variables based on independent variables. This method encompasses various techniques for analyzing multiple variables, particularly when the emphasis lies on the association between a dependent variable and one or more independent variables.

$Y= \beta0+\beta1\ X1 +\beta2\ X2 +\beta3\ X3 +X4\beta4 \ldots\ldots\ldots \varepsilon i$

Where,

Y = Perceived Financial Performance

β0 = Constant parameter

β1, β2, β3 and β4 were the parameters to be estimated

X1 = Green Investment
X2 = Risk Management
X3 = Green Human Resource
X4 = Green Product/Service

3.7 Moderator Variables

The variables included gender, age, education level, income level, job position, and job experience. Gender categories comprised male and female, while educational attainment

was classified into four categories: below bachelor's degree, bachelor's degree, and above bachelor's degree. Age groups were divided into under 30 years, 30 to 50 years, and above 50 years. Monthly income was categorized into three brackets: below Rs. 40,000, Rs. 40,000 to Rs. 60,000, and above Rs. 60,000. Job experience was segmented into three categories: below 3 years, 3 to 5 years, and above 5 years. Job positions were classified into four categories: Manager, Assistant Manager, Officer, and Assistant.

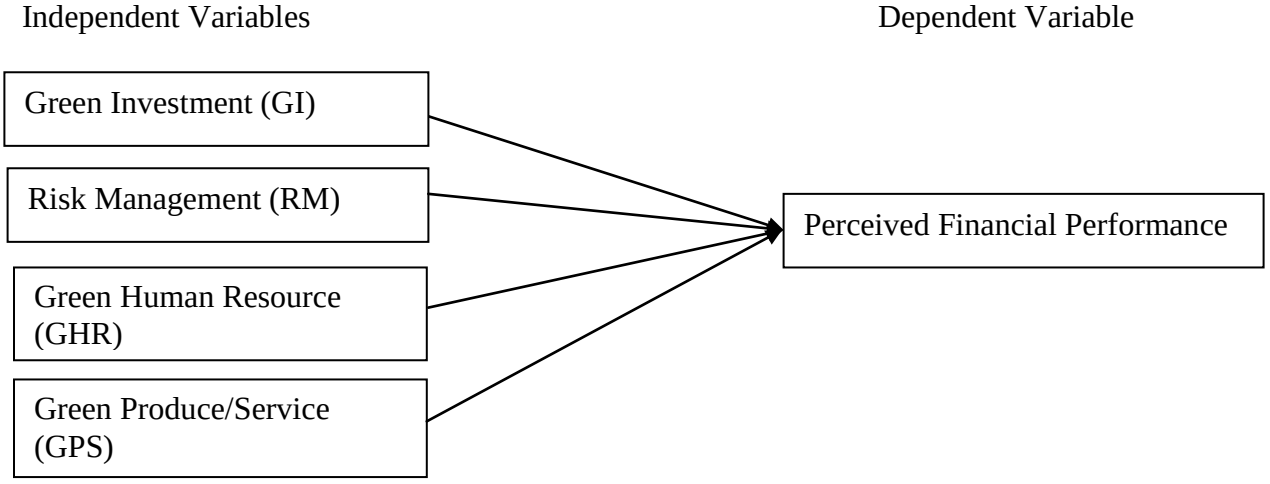
3.8 Conceptual framework

The research framework serves as a conceptual structure comprising variables that researchers operationalize to accomplish the set objectives. Variables are measurable characteristics that take on different values among subjects. Independent variables are those manipulated by the researcher to ascertain their impact or influence on another variable. Dependent variables aim to reflect the overall effect resulting from the influence of the independent variable (Pant, 2016).

In this study, Perceived Financial Performance in commercial banks of Kathmandu Metropolitan City served as the dependent variable. Similarly, Green Investment (GI), Risk Management (RM), Green Human Resource (GHR), and Green Business Strategy (GBS) were considered as independent variables.

Figure 1

Research Framework



Source: *Risal and Joshi (2022), Bekhzodet. al., (2022) and Abdullahet. al., (2022)*

3.6.1 Definition of Variables

Independent Variables

Green Investment (GI): Green investment aims to support business practices that positively impact the natural environment. Some investors opt for green bonds, exchange-traded funds, index funds, mutual funds, or hold stock in environmentally conscious companies to endorse eco-friendly initiatives. While profit isn't the sole motivation for these investors, there's evidence suggesting that green investments may match or surpass the returns of traditional assets.

Risk Management (RM): Effective risk management practices assist banks in upholding financial stability by identifying, assessing, and mitigating potential risks that could lead to losses. By effectively managing risks, banks can avert unforeseen losses and maintain financial robustness, which is vital for their long-term sustainability.

Green Human Resources (GHR): Green HR involves expanding the role of HR within an organization to support sustainability efforts. In green HR, HRM policies are leveraged to encourage and bolster the sustainable use of resources and preservation of the natural environment. Green HR focuses on developing, implementing, and maintaining initiatives to engage staff members in supporting sustainable goals. These initiatives span HR processes such as staffing, performance management, training and development, and employment relations, all aligned with the organization's sustainability objectives (Donohue and Torugsa, 2016).

Green Products/Services (GPS): Green Banking represents a forward-looking sustainability approach and a long-term business strategy geared towards environmental conservation rather than solely profit. The study underscores the banks' responsibility to educate their customers about green products and more environmentally friendly financing options. By offering a wider array of Green Banking products and services, banks in Mauritius can enhance awareness and improve customers' general perception of green banking.

Dependent Variable

Perceived Financial Performance: Financial performance, in a broader context, refers to the extent to which financial objectives are achieved or have been achieved, constituting a crucial aspect of financial risk management. It involves measuring the outcomes of a firm's policies and operations in monetary terms, assessing the overall financial health of the firm over a specified period. This measurement can facilitate comparisons between similar firms within the same industry or between industries or sectors as a whole.

CHAPTER-IV
RESULTS AND DISCUSSION

In this chapter, the primary data collected from the survey research is presented, and the results are analyzed using the Statistical Package for the Social Sciences (SPSS). Furthermore, a comprehensive discussion of the findings is provided, drawing necessary conclusions regarding the relationship between green banking practices and the perceived financial performance of commercial banks in Kathmandu Metropolitan City.

4.1 Data Presentation and analysis

The data gathered from bankers of selected banks underwent meticulous analysis using established research methodologies, focusing on financial and statistical analyses relevant to Green Banking. The pivotal aspect of this study lies in deriving necessary results, inferences, and findings from the analysis, aimed at evaluating the involvement of commercial banks in environmental protection efforts. The main findings of the study, including data presentation and analysis, will be presented towards the conclusion of this chapter. These details are outlined below.

4.1.1 Demographical characteristics respondents

Gender respondents

Table 4.1

Gender of the respondents

Gender	Frequency	Percent
Female	263	65.75
Male	137	34.25
Total	400	100

Source: Appendix I

Table 4.1 The data reveals a classification of respondents according to their gender. Analysis indicates that out of the total 400 respondents, 263 (65.75%) are female, while the remaining 137 (34.25%) are male. The majority of respondents, comprising 65.75%, are female, as illustrated in the table above.

Age respondents

Table 4.2

Respondents of ages

Age	Frequency	Percent
Under 30 year	53	13.25
30-50 year	184	46
Above 50 year	163	40.75
Total	400	100

Source: *Appendix I*

Table 4.2The data depicts the demographic variable of respondents' age. A significant portion of respondents, totaling 184 (46%), fell within the age range of 30-50 years. Subsequently, 163 (40.75%) respondents were aged above 50 years. This distribution may suggest that a considerable proportion of bank employees are relatively young.

Academic qualification respondents

Table 4.3

Responses of academic qualification

Qualification	Frequency	Percent
Bachelor	105	26.25
Master's	274	68.5
Above Master's	21	5.25
Total	400	100

Source: *Appendix I*

Table 4.3 The data illustrates the educational attainment of the respondents. Examination revealed that the majority of respondents held master's degrees, totaling 274 (68.5%). Additionally, 105 (26.25%) respondents held bachelor's degrees, while 21 (5.25%) held degrees beyond the master's level.

Working experience respondents

Table 4.4

Respondents of working experience

Experience	Frequency	Percent
Below 1 year	95	23.75
3-5 years	187	46.75
Above 5 years	118	29.5
Total	400	100

Source: *Appendix I*

Table 4.4 The data reveals the work experience of the respondents. As depicted in the table above, the largest group of respondents, comprising 187 individuals, falls within the 3-5 year experience bracket, accounting for 46.75% of the total respondents. Additionally, 118 respondents (29.5%) reported having over 5 years of experience, while 95 respondents (23.75%) had less than 1 year of work experience.

4.1.2 Descriptive analysis

Descriptive statistics serve to elucidate the fundamental characteristics of the data within a study, offering concise summaries about the sample and its metrics. They provide a manageable presentation of quantitative details, facilitating the simplification of extensive datasets into comprehensible summaries. By employing descriptive statistics, large volumes of data are condensed into more digestible synopses. Such analyses entail the computation of statistical parameters like the mean, standard deviation, and correlation, structured in a manner that aligns with the study's objectives.

All questionnaires utilized a five-point Likert scale, ranging from "strongly agree" at 5 to "strongly disagree" at 1. These values enabled the researcher to analyze data through frequency and percentage distributions concerning research inquiries and variables, offering deeper insights into respondent behavior. Additionally, cross-tabulation of various variables was conducted to further examine their interrelations.

Green Investment(GI)

Table 4.5

Status of green investment

	N	Mean	Std. Deviation
Our bank encourages investment to that projects that are not harmful to the environment.	400	1.92	0.709
Our bank encourages investment to the economic activities that help to recover environmental degradation.	400	2.03	0.894
Our bank increases the proportion of investment in environment project like solar energy. Hydropower and other similar projects.	400	2.25	0.897
Our bank provides reasonable interest loan (Green loan) to consumer who initiate environmental project in social or individual level.	400	2.17	1.037

Source: Field Survey, 2024

Table 4.5 The descriptive statistics regarding green investment are presented as follows: The initial statement, indicating whether our bank offers reasonable interest loans (Green loans) to consumers initiating environmental projects at social or individual levels, displayed a lower mean of 1.92, with a standard deviation of 0.709. Conversely, the third statement, regarding our bank's encouragement of investments in projects that are environmentally benign, exhibited the highest mean of 2.25, with a standard deviation of 0.897. Based on these findings, it can be inferred that the majority of bank respondents endorse investments in economic activities aimed at mitigating environmental degradation.

Risk Management (RM)

Table 4.6

Status of risk management

	N	Mean	Std. Deviation
Our bank carries environmental rating of the investment proposal.	400	2.06	0.829
Our bank considers environmental risk management in business decisions.	400	2.29	0.894
Addressing environment issues in financial operations are a part of sound risk management in our bank.	400	2.37	0.932
Our bank encourages projects which take care of performance and use of natural renewable resource.	400	2.21	1.081

Source: *Field Survey, 2024*

Table 4.6 The descriptive analysis of variables related to risk management is depicted as follows: Among the four statements assessed, "Addressing environmental issues in financial operations as part of sound risk management in our bank" displayed the highest mean of 2.37, with a standard deviation of 0.932. Conversely, the statement "Our bank considers environmental risk management in business decisions" had the lowest mean of 2.06, with a standard deviation of 0.829. The second statement, indicating our bank's consideration of environmental risk management in business decisions, showed a mean of 2.29, with a standard deviation of 0.894. This was followed by the fourth statement, regarding our bank's encouragement of projects that promote the efficient use of natural renewable resources, with a mean of 2.21 and a standard deviation of 1.081. Overall, this section highlights the independent factor of perceived financial performance, namely risk management, in Nepalese commercial banks, indicating a moderate level of response.

Green Human Resource (GHR)

Table 4.7

Status of green human resource management

	N	Mean	Std. Deviation
Our bank conduct green banking training and capacity building program for the employees.	400	2.44	0.835
Academic training and workshops on green banking. Environmental and social risk management was conducted in our bank.	400	2.51	0.762
Our bank follows green practices (online advertisement tools, use of email, video based telephone interviews) while recruiting and selecting staffs.	400	2.68	0.959
Green events like seminars, symposiums, discussion meetings etc. are conducted in our bank.	400	2.46	0.862

Source: *Field Survey, 2024*

Table 4.7 illustrates the descriptive statistics for green human resources. Among the four statements assessed, the statement "Our bank follows green practices (online advertisement tools, use of email, video-based telephone interviews) while recruiting and selecting staff" had the highest mean of 2.68, with a standard deviation of 0.959. Conversely, the statement "Our bank conducts green banking training and capacity-building programs for employees" exhibited the lowest mean of 2.44, with a standard deviation of 0.835. The second and fourth statements followed closely, with means of 2.51 and 2.46, and standard deviations of 0.762 and 0.862, respectively. Hence, this section provides insights into the independent variables of perceived financial performance, specifically green human resources, through descriptive analysis.

Green Product and Service (GPS)

Table 4.8

Status of green produce/service

	N	Mean	Std. Deviation
Green products/services are more in demand by customers.	400	2.52	0.764
Green products/services have low perceived financial risk.	400	2.26	0.921
Our bank achieves lasting growth by offering sustainable financial products or services.	400	2.81	0.826
Our bank focused on green products/services as our concern for green banking initiatives.	400	2.62	0.973

Source: *Field Survey, 2024*

Table 4.8 This section presents descriptive statistics for green products and services. Among the four statements evaluated, "Our bank achieves lasting growth by offering sustainable financial products or services" had the highest mean of 2.81, with a standard deviation of 0.826. Conversely, the statement "Green products/services have low perceived financial risk" had the lowest mean of 2.26, with a standard deviation of 0.921. The mean for the first statement ("Green products/services are more in demand by customers") was 2.52, with a standard deviation of 0.764, while the mean for the last statement ("Our bank focused on green products/services as our concern for green banking initiatives") was 2.62, with a standard deviation of 0.973. Overall, this descriptive analysis indicates a positive perception of performance in terms of independent factors.

Perceived Financial Performance

Table 4.9

Status of perceived financial performance

	N	Mean	Std. Deviation
Every staff in the green banking practice endeavors to optimally use resources on time in the attainment of my bank objectives, targets and tasks.	400	2.37	0.974
Green banking always ensures that in every process there is best use of resource by getting it right first time.	400	2.50	0.879
There is satisfaction on all green banking projects which is exhibited by how the service is perceived by both senior management and junior management.	400	1.83	0.824
Green banking practices always look forward to getting out much in relation to how much they put in.	400	2.11	0.867
On all the green banking projects the officers always look out the impact which is the output of all these functions either contributes to or influences financial performance as a whole.	400	2.37	0.798
On almost all the green banking projects activities are done the same as before, but with fewer resources in term of money, staff, space etc.	400	2.11	0.867

Source: Field Survey, 2024

Table 8 This section displays descriptive statistics regarding perceived financial performance. Among the six statements assessed, the statement "Green banking always ensures that in every process there is the best use of resources by getting it right the first time" had the highest mean of 2.50, with a standard deviation of 0.879. Conversely, the statement "There is satisfaction on all green banking projects, which is exhibited by how the service is perceived by both senior management and junior management" had the lowest mean of 1.83, with a standard deviation of 0.824. This analysis provides insight

into the perceived level of financial performance, indicating a moderately satisfactory outcome.

4.1.3 Correlation Analysis

The study conducted correlation analysis among variables to examine their relationships. Pearson correlation was utilized to determine the extent of association between the variables. This section of the study focused on establishing the statistical relationship between independent factors (such as green investment, risk management, green human resources, and green products/services) and the dependent factor (perceived financial performance). The analysis revealed a positive correlation, indicating a favorable direction of the relationship, where an increase in one variable is positively associated with an increase in another.

Table 4.10

Correlation between green banking practice and perceive financial performance

		PFP	GI	RM	GHR	GPS
PFP	Pearson Correlation	1				
GI	Pearson Correlation	0.473**	1			
	Sig. (2-tailed)	0.00				
RM	Pearson Correlation	0.461**	0.385**	1		
	Sig. (2-tailed)	0.004	0.000			
GHR	Pearson Correlation	0.406**	0.354**	0.293**	1	
	Sig. (2-tailed)	0.000	0.000	0.000		
GPS	Pearson Correlation	0.400**	0.335**	0.452**	0.255	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	

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

Source: SPSS Analysis, 2024

Table 4.10 This section explores the relationship between the dependent variable (perceived financial performance) and independent variables (green investment, risk management, green human resources, and green products/services), with a respondent count of 400 and a significance level set at 0.01. The correlation coefficient, ranging from -1 to 1, signifies the strength and direction of the relationship between variables. A positive value indicates a positive relationship, while a negative value indicates a negative relationship.

The correlation analysis revealed that green investment has a correlation coefficient of 0.473 with perceived financial performance, indicating a positive relationship, and a highly significant p-value of 0.000. Similarly, risk management (RM) was found to have a correlation coefficient of 0.461 with perceived financial performance, also showing a positive correlation, with a p-value of 0.004, indicating high significance. Furthermore, green human resources (GHR) displayed a correlation coefficient of 0.406 with perceived financial performance, also positively correlated, with a highly significant p-value of 0.000. Similarly, green products and services (GPS) had a correlation coefficient of 0.400 with perceived financial performance, demonstrating a positive correlation, and a highly significant p-value of 0.000. These results strongly suggest a robust correlation between green banking practices and perceived financial performance.

4.1.4 Regression Analysis

To explore the connection between the dependent variable (perceived financial performance) and independent variables (green investment, risk management, green human resources, and green products/services), this study utilizes primary data analysis employing a regression model. Specifically, the regression analysis examines the relationship between the factors of green banking practices and perceived financial performance using a stepwise approach. R-Square, or the coefficient of determination, serves as a widely used statistic for assessing model fit. It represents 1 minus the ratio of residual variability. The results of the regression analysis are outlined in the tables below.

Table 4.11

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.805[a]	0.0684	0.642	0.79884

a. Predictors: (Constant),GI, RM,GHR, GPS

Source: SPSS Analysis, 2024

Regression analysis is shown in Table 4.11, where the regression coefficient (R) of 0.805, or 80.5%, suggests that there is a link between the independent and dependent variables. Moreover, the computed coefficient of determination (R squared) is 0.684, suggesting that variables including green investment, risk management, green human resources, and green goods and services can explain 68.4% of the variance in green banking. This implies that there is a positive relationship between these variables and the metropolitan area of Kathmandu's perceived financial success.

Table 4.12

ANOVA test

	Model	Sum of Square	df	Mean Square	F	Sig.
1	Regression	83.619	5	16.724	60.593	0.000[b]
	Residual	141.590	513	0.276		
	Total	225.208	518			

a. Dependent Variable: PFP

b. Predictors: (Constant), GI, RM, GHR, GPS

Source: SPSS Analysis, 2024

Table 4.12 The significant p-value of 0.000, which is below the 0.05 alpha threshold, was found in the regression analysis. The model's overall statistical significance at the 0.05

alpha level is further demonstrated by the F-value of 60.593. This shows that there is a significant correlation between perceived financial success in the Kathmandu metropolitan area and green investment, risk management, green human resources, and green goods and services.

Table 4.13

Coefficients analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.160	0.281		7.687	0.000
	GI	0.086	0.040	0.119	2.177	0.004
	RM	0.316	0.050	0.315	6.385	0.000
	GHR	0.091	0.043	0.082	2.098	0.000
	GPS	0.032	0.035	0.038	0.920	0.000

a. Dependent Variable: PFP

Source:*SPSS Analysis, 2024*

The influence of independent variables (green investment, risk management, green human resources, and green products/services) was examined using the coefficient analysis shown in Table 4.13. The tables below display the coefficient values.

The coefficient value for green investment was 0.086. This suggests that an 8.6% rise in perceived financial performance follows a 100% improvement in green investment, all other things being equal. The statistical significance of this result ($0.004 < 0.05$) implies that green investments have a distinct and noteworthy influence on forecasting the perceived financial performance.

In the same way, the coefficient value for risk management was 0.316. This indicates that a 100% improvement in risk management leads to a 31.5% rise in perceived financial performance, holding other factors equal. This finding, which was highly statistically significant (0.000 < 0.05), suggests that risk management is a unique factor in determining how financial success is viewed.

For green human resources, the coefficient value was 0.091. This suggests that a 100% improvement in green human resources results in a 9.1% rise in perceived financial performance while all other factors remain constant. According to this statistically significant (0.000 < 0.05) conclusion, perceived financial success may be uniquely predicted by green human resources.

Lastly, the coefficient value for eco-friendly goods and services was 0.032. This implies that a 100% improvement in environmentally friendly goods and services leads to a 3.2% rise in perceived financial success under constant circumstances. This finding demonstrated the noteworthy and distinct contribution of green goods and services to forecasting perceived financial success, and it was also statistically significant (0.000 < 0.05).

4.2 Summary of Hypothesis

Table 4.14

Summary of Hypothesis

Hypothesis	P-value	Result
H_1: There is significant relationship between green investmentsperceived financial performance.	0.004 < 0.05	Accepted
H_2: There is significant relationship between risk management and perceived financial performance.	0.000 < 0.05	Accepted
H_3: There is significant relationship between green human resource and perceived financial performance.	0.000 < 0.05	Accepted
H_4: There is significant relationship between green product/service and perceived financial performance.	0.000 < 0.05	Accepted

The overall summary of the hypothesis testing is presented in Table 4.14, indicating that all of the hypotheses were accepted. The output's range, as indicated by the correlation, is -1 to 1. When a value is positive, it suggests a positive relationship between the variables, and when it is negative, it suggests a negative relationship. The study found a statistically significant positive correlation between perceived financial success and green investment ($p = 0.000$), risk management ($p = 0.000$), green human resource ($p = 0.000$), and green product/service ($p = 0.000$). According to the findings, there was a significant relationship between the independent (green investment, risk management, green human resource, and green product/service) and dependent (perceived financial success). The goal of the study was to ascertain how dependent variable components and perceived financial success were correlated. As a result, every hypothesis was accepted and every independent factor and dependent component had a strong positive association.

4.3 Discussion

This research explores how financial performance in the Kathmandu metropolitan area is affected by green banking practices. By investigating the connection between green banking practices and perceived financial success, it seeks to address the study objective. In addition to one dependent variable, perceived financial performance (PFP), the study focuses on four independent variables: green investment (GI), risk management (RM), green human resources (GHR), and green products/services (GPS). Surveying 400 management staff members of Nepali commercial banks was part of the data gathering process.

The relationship between perceived financial success in commercial banks and green banking practices has been the subject of several academic studies; nevertheless, this research fills a vacuum by emphasizing other factors including GI, RM, GHR, and GPS. The study's conclusions are consistent with earlier empirical research, showing that banks in the Kathmandu metropolitan area substantially use green banking practices, such as risk management, green investment, green human resources, and green goods and services. Banks strive to provide environmentally friendly goods that are in line with societal issues and have a modest concentration on green products and services.

On the other hand, in contrast to other studies, this study provides fresh insights. The findings indicate a noteworthy association between perceived financial success and green investments, risk management, GHR, green company strategy, and green goods and services. Other research, however, has shown little differences between these characteristics.

The report points forth ways that banks in Nepal might enhance their green banking operations. In order to meet environmental goals, banks must improve their strategic planning and allocate more funds to initiatives that develop capacity and educate employees in green banking. They should also concentrate on managing social and environmental risks in their activities. The report also identifies ways that banks might grow their clientele by serving environmentally conscious customers. Banks may enhance their reputation as environmentally conscious organizations by utilizing green marketing techniques to inform customers about environmental activities.

CHAPTER-V
SUMMARY AND CONCLUSION

A summary, findings, and recommendations for improving performance going forward are provided in this section. It focuses on the findings and consequences of the research on how commercial banks in Kathmandu Metropolitan City evaluate their financial performance in connection to green banking practices.

5.1 Summary

The research objectives have been met and the research questions presented in Chapter One have been addressed by this effective investigation of the connection between green banking practices and perceived financial performance. Recommendations have been made to improve commercial banks in Kathmandu Metropolitan City's perceived financial performance and green banking practices based on the study's findings.

To measure respondents' opinions, the questionnaire used in this study was divided into five categories, from strongly agree to strongly disagree. To evaluate the effect of independent factors on the dependent variable, regression analysis was used. 400 valid answers to the 600 questionnaires that were given to investors were collected and used in the research. SPSS software was then used to process and analyze the gathered data.

The study's conclusions cover the key issues pertaining to the research topics. The study's goal was to ascertain Nepal's commercial banks' green banking practices. According to the research, green banking encourages eco-friendly behavior and lowers the carbon footprint associated with financial operations. These options include switching to internet banking from branch banking, implementing paperless invoicing, and endorsing eco-friendly projects. Green banking offers market-based solutions to a range of environmental problems, including climate change, deforestation, air pollution, and biodiversity loss. It also promotes effective, efficient, and user-friendly banking services. It also finds and seizes possibilities for the benefit of banking clients.

The study also looks at how commercial banks in the Kathmandu Metropolitan Area evaluate their financial performance in respect to green banking practices. It looks at the factors that influence perceived financial success the most in the context of green banking. The findings show that influential elements such risk management, green

company strategy, green investment, green goods and services, and green human resources have a positive and substantial impact.

Additionally, a substantial positive association between green investment, risk management, green human resources, green products/services, and word-of-mouth communication is shown by the descriptive analysis of the magnitude of dependent and independent variables. Overall, the results point to a substantial relationship between perceived financial success and green investment, risk management, green human resources, and green goods and services.

5.2 Conclusion

This study's main goal was to identify green banking practices and investigate how commercial banks in Kathmandu Metropolitan City assessed their financial performance in connection to these activities. In order to determine connections between various facets of green banking, the study sought to evaluate the effects of variables like green investment (GI), risk management (RM), green human resources (GHR), and green products/services (GPS) on perceived financial performance (PFP).

The study's conclusions point to a significant relationship between perceived financial performance and a number of green banking-related factors. Regarding commercial banks' participation in programs like creating eco-friendly branches, putting in place green incentive systems in branches, and involving senior management in environmental protection projects, respondents did, however, show some ambiguity.

A statistically significant correlation between the independent variables (GI, RM, GHR, and GPS) and the dependent variable (PFP) was found using an explanatory design. This correlation, demonstrated by a p-value of 0.000, suggests that these variables are unique in their ability to predict perceived financial performance. Strong correlations between dependent and independent components were highlighted by the study, which showed a positive association between green investment, risk management, green human resources, green products/services, and perceived financial success.

All of the research's hypotheses were accepted, and the correlation between the independent and dependent variables showed a strong positive link. In total, the study was effective in determining the elements impacting perceived financial performance.

5.3 Implications

It is imperative that banks give top priority to putting into action a well-thought-out plan in order to meet specific financial performance targets when it comes to green banking practices. Fostering a culture that rewards financial performance while aligning with social, ecological, and financial objectives requires a thorough integration of green banking practices.

The development of environmental policies that strategically complement perceived financial success should be the focus of commercial banks as well. By putting in place appropriate environmental management systems to evaluate the risks connected to investment projects, they may reduce environmental hazards. Green investment, risk management, green company strategies, and green products/services (such credit cards, internet banking, and mortgage loans)—including green human resource management—should all receive special attention.

Subsequent investigations may concentrate on augmenting the sample size and integrating other factors outside the scope of current analysis. Furthermore, comparative research might offer insightful information by contrasting development banks with financial institutions or all commercial banks with other bank types or sectors. Researchers could also look into how demographics have changed, how people have responded to green banking elements and how they have assessed their financial success, how demographics and green banking practices are related, and how green banking practices have affected Nepalese investors. Examining whether green banking methods forecast corporate social responsibility (CSR) outcomes is another possible line of inquiry.

Commercial banks should thus put in place initiatives that motivate other banks to operate more productively and with more energy. Their corporate philosophy and green

banking policies ought to take into account the elements that influence green banking practices. In order to compete and thrive in the global economy, banks must embrace green banking systems and acknowledge their social and environmental obligations.

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APPENDIX

Questionnaire

Dear Respondent,

I am conducting this questioner survey for discovering current situation of Green Banking and Perceived Financial Performance. My research topic is "*Green Banking Practices and Perceived Financial Performance of Nepalese Commercial Banks in Kathmandu Metropolitan City*". Hence, I request you please go through the statements carefully and provide your response as genuinely as possible. Confidently of your response will be maintained.

SabitriNeupane

ShankerDev Campus

Part 1

1. Gender:

Male ☐ Female ☐ Others ☐

2. Age:

Under 30 ☐ 30-50 ☐ Above 50 ☐

3. Education

Below Bachelor's Degree ☐

Master's Degree ☐

Above Master's Degree ☐

4. Job Position

Manager ☐ Assistant manage ☐ Officer ☐ Assistant ☐

5. Working Experience

Below 3 Years ☐ 3-5 years ☐ above 5 years ☐

Part 2

Please tick (√) the most appropriate option which extent you agree with the following statements:

SN		Yes	No	Don't Know
1	Commercial Banks of Bagmati Province involves in setting up green branches (energy efficient buildings/green buildings).			
2	In Commercial Banks of Bagmati Province, head office level or top management involves in environmental protection related planning and implementation			
3	Commercial Banks of Bagmati Province promotes and facilitates environmental oriented enterprises through special grants, loans and guidance.			
4	Commercial Banks of Bagmati Province purchases its stationeries, equipment's and other items from environmental friendly companies (e.g. printers, computers, and etc.).			
5	Commercial Banks of Bagmati Province implements environmental (green) reward system in the branches that support the green banking initiatives.			
6	Commercial Banks of Bagmati Province provides loan to environmental protection and energy saving related projects			
7	Commercial Banks of Bagmati Province has initiatives to reduce paper usage and other wastage of materials			
8	Commercial Banks of Bagmati Province provides training and education to the staff on environmental protection, energy saving, and etc.			

Part 3

Please express you level of agreement/disagreement with the following statements. (Strongly agree = 1, Agree = 2, Don't know = 3, Disagree = 4, Strongly disagree =5)

Green investment (GI)

SN	Items	1	2	3	4	5
1	Our bank encourages investment to that projects that are not harmful to the environment.					
2	Our bank encourages investment to the economic activities that help to recover environmental degradation.					
3	Our bank increases the proportion of investment in environment project like solar energy. Hydropower and other similar projects.					
4	Our bank provides reasonable interest loan (Green loan) to consumer who initiate environmental project in social or individual level.					

Risk management (RM)

SN	Items	1	2	3	4	5
1	Our bank carries environmental rating of the investment proposal.					
2	Our bank considers environmental risk management in business decisions.					
3	Addressing environment issues in financial operations are a part of sound risk management in our bank.					
4	Our bank encourages projects which take care of performance and use of natural renewable resource.					

Green product and services (GPS)

SN	Items	1	2	3	4	5
1	Green products/services are more in demand by customers.					
2	Green products/services have low perceived financial risk.					
3	Our bank achieves lasting growth by offering sustainable financial products or services.					
4	Our bank focused on green products/services as our concern for green banking initiatives.					

Green human resources (GHR)

SN	Items	1	2	3	4	5
1	Our bank conduct green banking training and capacity building program for the employees.					
2	Academic training and workshops on green banking. Environmental and social risk management was conducted in our bank.					
3	Our bank follows green practices (online advertisement tools, use of email, video based telephone interviews) while recruiting and selecting staffs.					
4	Green events like seminars, symposiums, discussion meetings etc. are conducted in our bank.					

Perceived financial performance (PFP)

SN	Items	1	2	3	4	5
1	Every staff in the green banking practice endeavors to optimally use resources on time in the attainment of my bank objectives, targets and tasks.					
2	Green banking always ensures that in every process there is best use of resource by getting it right first time.					
3	There is satisfaction on all green banking projects which is exhibited by how the service is perceived by both senior management and junior management.					
4	Green banking practices always look forward to getting out much in relation to how much they put in.					
5	On all the green banking projects the officers always look out the impact which is the output of all these functions either contributes to or influences financial performance as a whole.					
6	On almost all the green banking projects activities are done the same as before, but with fewer resources in term of money, staff, space etc.					

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ABSTRACT Climate change is one of the most significant and complicated issues facing modern society. People are becoming more conscious of global warming and its significant effects on human existence. It is now a worry for a number of stakeholders, including governments and direct polluters as well as financial organizations like banks that are essential to the advancement of society. Even if banking activities don't directly harm the environment physically, their customers' actions have a big influence on it. In an effort

to significantly lesser **their carbon** footprint, **banks are** progressively **incorporating green** ideas **into their** construction, **operations, and financing**

methodologies. This idea, also known as ethical banking, green initiatives, or green banking,

aims to protect the environment by encouraging eco- **friendly** behaviors **and reducing carbon** emissions **from**