






“Impact of green banking on banks’ environmental performance in India: The mediating role of green finance”

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IMPACT OF GREEN BANKING ON BANKS' ENVIRONMENTAL PERFORMANCE IN INDIA: THE MEDIATING ROLE OF GREEN FINANCE

Abstract

This study investigates how Green Banking Initiatives influence bank environmental performance in India and determines the mediating effect of Green Finance Initiatives. The study is relevant as there is an increased need for financial institutions such as banks to facilitate the transition to a low-carbon economy. The study is based on the Resource-Based View, whereby Green Banking Initiatives are viewed as internal strategic resources and Green Finance Initiatives as dynamic capabilities that direct these resources towards achieving measurable bank environmental performance. The study used a primary data collection method through purposive sampling of 200 employees of public sector banks, including clerical staff, bank officers, senior officers, and bank managers, chosen due to the reliability of their positions in providing information on green banking and green finance activities based on practice. The analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings indicate that Green Banking Initiatives significantly and positively influence both Green Finance Initiatives and Bank Environmental Performance. Additionally, banks' Green Finance Initiatives were found to significantly contribute to improving banks' environmental performance and partially mediate the relationship between Green Banking Initiatives and banks' environmental performance. The study's results indicate that internal sustainability practices increase the value of environmental concerns where it is aligned with strategic green financing activities. The findings can help understand how banks can contribute to national sustainability objectives and provide viable insights for policy formulation, capacity building programs, and strategic expansion of green lending.

Keywords

green banking, green finance, environmental performance, banking sector, resource-based view, India

JEL Classification

G21, Q56, Q01, O16

INTRODUCTION

The 21st century has seen an increase in economic activity, but it comes with a toll on the environment. The globe has witnessed enormous greenhouse gas emissions, including carbon dioxide. The Swiss Re Institute predicts an 18% shrink in Global GDP, and the World Bank and the World Health Organization predict that more than 100,000 people will die if no action is taken to combat climate change. In response, countries are adopting green strategies, programs, and policies to lower carbon emissions (Loiseau et al., 2016). More than 190 countries have signed the Paris Climate Agreement, committing to curb rising global temperatures. More than 33 countries and the European Union (EU) have set targets to achieve net-zero emissions. However, the flagship report shows that the efforts taken to meet the target still fall short of what is required to achieve the same in the target period.

India, being one of the most populous countries in the world, has pledged to achieve net-zero emissions by 2070, and this requires urgent attention. Banks as financiers can play a significant role in achieving this target. Polluting industries heavily depend on banks for financial needs in India (Jayabal & Soundarya, 2016). However, banks are no exception to the rising environmental impacts. Banks emit greenhouse gases directly from their daily banking operations and indirectly by financing projects that generate such gases. As financiers, banks have a key role to play in fostering eco-friendly projects and making a significant contribution to sustainable economic development. To build a robust and prosperous low-carbon economy, banks can play a leading role in opening up new avenues for investment and financing strategies (Bhardwaj & Malhotra, 2013). The role of bankers in considering environmental factors when making lending decisions has increased (Thompson & Cowton, 2004). The potential for banks to switch to more environmentally friendly practices is huge (Biswas, 2011), and hence, Green Banking practices are crucial for the country's banks to improve their green finances and attain environmental performance to improve sustainable economic development (Chen et al., 2022). Though the existing literature highlights efforts undertaken toward achieving sustainable development through Green Banking practices, there remains a notable research gap concerning the interrelationships among Green Banking Initiatives, Green Finance Initiatives, and Bank Environmental Performance.

1. LITERATURE REVIEW AND HYPOTHESES

Green Banking refers to the banking business conducted in such areas and in such a manner that helps the overall reduction of external carbon emissions and internal carbon footprint. Green banking adopts many forms aimed at promoting a greener future or sustainable banking (Prabhu, 2021). The Green banking system supports paperless banking (Shrivastava et al., 2019), promotes eco-friendly practices, and aims to reduce the carbon footprint of banking operations (Gupta, 2015). Green Banking utilizes online banking, which reduces paper costs and the cost of opening new branches. However, it also requires talented and professional employees who can reduce the operating costs (Prabhu, 2021). The advantages of green banking for corporations, society and the environment make it imperative that this practice be adopted (Masukujjaman et al., 2016) for which banks have to fundamentally change their planning process. More and more people are calling for an ideal environment, diverting customers' focus from traditional banking to green banking (Ibe-enwo et al., 2019). Indian banks have to realize the degradation of the environment caused by its operational activities, as this will make them quickly adopt the concept of Green Banking (Sahoo et al., 2016). However, it is pertinent to note that consumers' awareness and education are a challenge to implementing Green Banking in India (Ahuja, 2015).

According to the Reserve Bank of India (RBI), green banking is about improving the efficiency of internal banking processes, physical infrastructure, and information technology from an environmental perspective by minimizing their negative impact on the environment (Prabhu, 2021). Realizing this, Yadav and Pathak (2014) and Tara et al. (2015) emphasized the role of banks in adopting environmental protection in their landings and green banking initiatives to promote sustainability. Numerous public and private sector banks in India have implemented Green banking practices. For instance, today, a few Indian banks are working towards attaining the environmental goal and are contributing immensely to it. State Bank of India (SBI) is partnering with Suzlon Energy to set up windmills (Tara & Singh, 2014). SBI is involved in employee training, workshops, and programs of Green Banking (Ahuja, 2015). ICICI Bank has initiated innovative concepts in Coal technologies (Kandavel, 2013). It engages with its customers and collaborates with them within the framework of the Go Green movement using internal media resources. Punjab National Bank (PNB) has jointly placed guidelines for providing term loans to business units and commercial projects that produce renewable energy, and special guidelines have been issued to curb the units that use environmentally depleting substances (Yadav & Pathak, 2014). HDFC Bank has been most prominent in Green Banking disclosures. Solar ATMs, conserving energy, solar panels, compact fluorescent lamps, and going paperless are some of

the initiatives of HDFC Bank (Sahitya & Lalwani, 2014). IndusInd Bank does Green Banking practices under the name “Hum Aur Hariyali” and has a green manual (Kapoor et al., 2016).

However, India still lacks a regulatory strategy for Green banking, in contrast to other countries. Indian banks are far behind the global trends in the case of Green banking (Tara et al., 2015). On April 23, 2021, Reserve bank of India (RBI) became a member of the Network for Greening the Financial System (NGFS) and on November 3, 2021 it released a Statement of Commitment to Support Greening India’s Financial System. Green Coin Ratings was also introduced for the Indian Banks wherein banks are evaluated based on their refurbishing and recycling in addition to the carbon emissions from their operations.

A number of empirical studies have confirmed that Green banking practices have positively influenced the environmental performance of banks. For example, a cross-sectional study from Nepal has found that energy-efficient equipment and green policies significantly influence the environmental performance of banks. Shaumya and Arulrajah (2018) and Vidyakala (2020) revealed a positive correlation between green banking practices and environmental performance. In addition, Chen et al. (2022) revealed that bank employees, daily operations, and policy-related Green banking practices have significant and positive effects on green financing and environmental performance. A study by Nath et al. (2014) has further pointed out the additional Green Banking practices that favor environmental protection, such as internet banking, e-remit services, e-statements, etc. Various Green Banking initiatives, such as going paperless, net banking, e-statements, CFL’s, green data centres, setting up of windmills, renewable projects, etc., are undertaken by public sector banks in India (Vadrade & Katti, 2016). Bank of Baroda made improvements by implementing backup integration, database, and desktop (Prabhu, 2021). Thus, the Bank has initiated the Planet Earth project to create awareness among its employees and customers (Tara & Singh, 2014). Recently, the RBI, realizing the threats of climate change, felt the need to accelerate green finance in the country. In this context, the Indian Renewable Energy Development Agency, a government agen-

cy for promoting clean energy investments, declared plans to get on to become India’s first Green Bank in May 2016.

Additionally, another important concept is Green finance, which is also referred to as ‘Sustainable finance’, ‘Environmental finance’, or ‘Climate finance’ or ‘Green Investment’. Green finance has been progressively gaining scholarly attention since 2012 onwards (Akomea-Frimpong et al., 2021). The most commonly cited green finance products by banks include Green loans/credits, Green long-term investment accounts, Carbon finance, Climate finance, Green traded stocks and bonds, Green bancassurance, and Green infrastructural finance. Green finance is still at its initial stage (Zhang et al., 2022; Chen et al., 2022) and needs to be explored. Nonetheless, Zheng et al. (2021) point out that Green Finance is crucial for the long-term economic expansion and progress of the banks. Furthermore, Green finances are a global trend promoted by international organizations, with the goal of achieving a balance between nature, profit, and people (Rakočević et al., 2022). Green finance as a part of Green Banking makes a great contribution to the transition to resource-efficient and low-carbon industries, i.e., green industry and green economy in general (Meena, 2013). Green Banking activities are essential for improving Green Financing (Zheng et al., 2021). Rehman et al. (2021) found a positive relationship between Green banking practices and banks’ green financing. Chen et al. (2022) and Zhang et al. (2022) also found a positive impact of Green Banking activities on Green Financing.

By employing resource and carbon-intensive growth models, green finance has recently become a key measure (Yin et al, 2019). Environmental quality gets improved by green financing (Kraus et al., 2020). Banking companies use green financing to maintain and enhance environmental performance (Zhu & Siddik, 2023). In developing countries, green finance plays a major role in achieving sustainable development goals (Nassiry, 2019). Several SDGs are directly and indirectly related to green finance, and these can be accomplished by encouraging private investment in and involvement in green finance (Taghizadeh-Hesary & Yoshino, 2019). Green finance offers financial assistance for the acquisition of environmental-

ly friendly equipment and the implementation of new eco-friendly technologies (Wang & Han, 2017), and provides staff with the necessary training. Reducing the risk associated with green policies and assisting stakeholders in funding research and development on environmental challenges are two benefits of green financing initiatives (Květoň & Horák, 2018). Green finance-supported economic growth can significantly reinforce green measures and lower environmental pollution (Orsatti et al., 2020). Green finance reduces energy-related barriers and has a beneficial effect on both economic growth and carbon dioxide emissions (X. Chen & Z. Chen, 2021).

Additionally, the present study is grounded in the Resource-Based View (RBV) of the firm (Barney, 1991), which posits that organizations achieve sustainable competitive advantage by developing and utilizing valuable, rare, inimitable, and non-substitutable (VRIN) resources and dynamic capabilities. The current study has conceptualized Green Banking Initiatives (GBI) as strategic internal resources that reflect a bank's environmental awareness, eco-efficient operations, and sustainability-oriented policies. Furthermore, Green Finance Initiatives (GFI) display dynamic capabilities that help mobilize these internal green resources of banks into tangible and concrete environmental outcomes. This theoretical logic suggests that banks can enhance their environmental performance by effectively leveraging Green banking practices to strengthen Green financial practices, which subsequently channel financial flows into environmentally responsible investments. In this manner, Green Finance practices act as the mechanism through which Green Banking initiatives result in improved Bank Environmental Performance (BEP). Additionally, prior empirical studies have supported this relationship. Studies such as X. Chen and Z. Chen (2021) and Zhang et al. (2022) displayed that Green Finance can mediate the relationship and impact of Green Banking practices on bank environmental performance. Whereas research findings by Rehman et al. (2021), Kraus et al. (2020), and Zhu and Siddik (2023) show that strengthening Green Banking initiative practices enhances Green Finance mobilization, which will result in improved environmental outcomes.

Though the above studies highlight the efforts undertaken toward achieving sustainable development through Green Banking practices, there remains a notable research gap concerning the interrelationships among Green Banking Initiatives, Green Finance Initiatives, and Bank Environmental Performance. This study, therefore, seeks to answer important research questions, such as to what extent Green Banking Initiatives directly influence Bank Environmental Performance. How do Green Banking Initiatives influence Green Finance Initiatives? How do Green Finance Initiatives affect Bank Environmental Performance? And does Green Finance mediate the relationship between Green Banking Initiatives and Bank Environmental Performance? Furthermore, the Resource-Based View (RBV) (Barney, 1991) is the theoretical lens adopted for the current study. In the current study, the authors collectively contribute to clarifying how green banking initiatives influence green finance initiatives and bank environmental performance, and whether green finance initiatives directly influence bank environmental performance, within the Indian banking context aligned with the net-zero emissions goal.

The current study aims to examine the relationship between banks Green Banking Initiatives, Green Finance Initiatives and Bank Environmental Performance with focus on understanding the mediating role of Green Finance Initiatives. Based on the literature review and drawing on RBV logic, along with corroborating empirical findings, this study formulated the following research hypotheses and developed a conceptual framework (Figure 1).

- H1: *Green Banking Initiatives (GBI) positively influence Bank Environmental Performance (BEP).*
- H2: *Green Banking Initiatives (GBI) positively influence Green Finance Initiatives (GFI).*
- H3: *Green Finance Initiatives (GFI) positively influence Bank Environmental Performance (BEP).*
- H4: *Green Finance Initiatives (GFI) mediate the relationship between Green Banking Initiatives (GBI) and Bank Environmental Performance (BEP).*

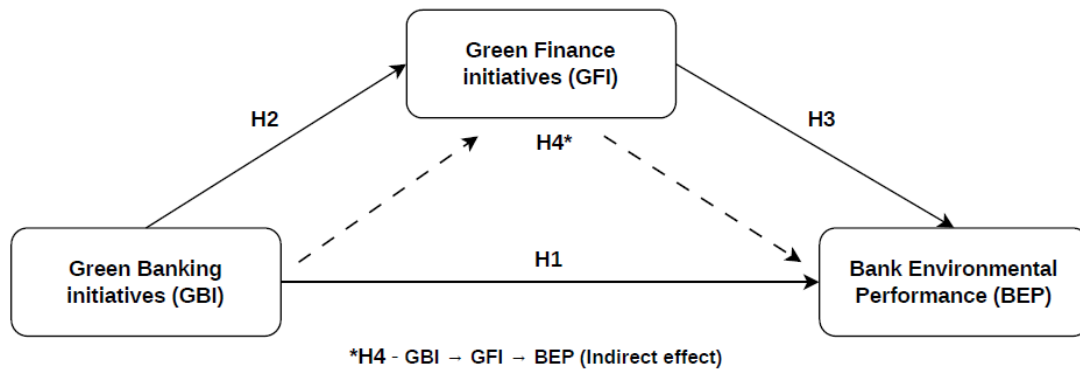


Figure 1. Conceptual model

2. RESEARCH METHODOLOGY

The study is based on a primary survey conducted using a questionnaire adopted by the authors, comprising two sections. Section A captures the demographic profile of respondents, while Section B consists of a total of 15 Likert scale items adopted from previous studies. Specifically, 5 items were used to measure Green Banking initiatives, 5 items to measure Green finance initiatives, and 5 items to measure Bank environmental performance. These items were adopted from studies by Chen et al. (2022), Zhang et al. (2022), and Rehman et al. (2021). The research design for the study is cross-sectional and explanatory in nature.

A pilot test was conducted involving 20 bank employees to assess the reliability of the measurement instrument. Once reliability was established, the final questionnaire was distributed among 205 public sector bank officers located in the Salcete taluka of Goa, India. The participating respondents were from Bank of Baroda, State Bank of India, Union Bank of India, Canara Bank, Maharashtra Bank, and other public nationalized banks operating in the study region. The questionnaire was administered based on purposive sampling to Clerical staff, bank officers, senior officers, and bank managers. Their professional banking responsibilities and roles make them qualified to provide the necessary research information on matters related to banks' green finance, green banking, and environmental initiatives, ensuring that the data collected is appropriate, reliable, and representative of actual banking prac-

tices. Furthermore, of the distributed questionnaires, a total of 5 responses were invalid, and the remaining 200 were retained for final data analysis. The complete study questionnaire is included in the Appendix.

Additionally, a multilevel sampling method was adopted to determine the study's sample size. Firstly, we followed the guidelines proposed by Hair et al. (2019), who suggested that the sample size should be in the ratio of 10:1 for the observed variable in structural equation modeling. The current study has 15 observed variables, resulting in a sample size of 150 respondents. Secondly, we considered statistical power analysis by using G*Power software to arrive at a sufficient sample size for the current study as per Kang (2021). The output of the power analysis resulted in 160 respondents calculated at a 0.80 level of confidence with a 5% significance level. Accordingly, the selection of 200 valid responses was deemed to be an adequate sample size for conducting structural equation modelling.

The statistical analysis and hypothesis testing were conducted using Nonparametric Variance-Based Partial Least Squares Structural Equation Modeling (PLS-SEM) within SmartPLS 4.0 software based on the recommendations and guidelines of Hair et al. (2019). Additionally, common method bias (CMB) was examined using the Harman single-factor test. The results of CMD show that a unit factor accounted for less than 50% of the total variance, which showed that common method bias was not a significant issue for the current research study (Podsakoff et al., 2003).

3. DATA ANALYSIS AND RESULTS

3.1. Respondent profile, descriptive statistics & correlations

Table 1 presents the demographic profile of the respondents in the study. The data revealed that the majority of participants (52%) are female, while males make up to 48%. Additionally, a significant proportion of respondents, 62%, falls within the age bracket of 26 to 35 years, showcasing a predominantly young respondent base. Regarding educational qualifications, a considerable portion (48%) holds graduate degrees. Postgraduates represent the next largest group, comprising of 38% of the sample. Furthermore, the majority of respondents (56%) possess more than 5 years of experience working in the banking sector, which suggests a substantial presence of experienced professionals in the sample.

Additionally, Table 2 provides descriptive statistics and correlations for the variables along with variability in the form of standard deviation. The highest mean value of 4.03 was shown by Green Banking initiatives. The standard deviation ranges between 0.67 and 0.78 indicate a moderate level of variability of the respondents. Furthermore, a significant positive correlation is observed between all the constructs, with the highest correlation of 0.684 observed between Bank environmental performance and Green finance initiatives, indicating a moderate to strong positive relationship between these constructs.

Table 1. Respondent profile

Demographic description	N	Percentage (%)
Gender		
Male	96	48
Female	104	52
Age		
18 to 25	18	9
26 to 35	124	62

Table 2. Descriptive statistics & correlations

Construct	Means	SD	Bank environmental performance (BEP)	Green Banking initiatives (GBI)	Green finance initiatives (GFI)
Bank environmental performance (BEP)	3.74	0.670	1	–	–
Green Banking initiatives (GBI)	4.03	0.776	0.392**	1	–
Green finance initiatives (GFI)	3.64	0.707	0.684**	0.307**	1

Demographic description	N	Percentage (%)
36 to 45	30	15
46 and above	28	14
Education qualification		
Higher Secondary	28	14
Graduate	96	48
Postgraduate	76	38
Working experience in Bank		
Less than 2 years	48	24
3 to 5 years	40	20
More than 5 years	112	56

3.2. Measurement model assessment

3.2.1. Reliability, internal consistency, and convergent validity

Hair et al. (2022) provide recommendations for the initial evaluation of the measurement model in the current study. For evaluating the reliability and validity of the outer measurement model, several indicators such as outer factor loading, Cronbach alpha, Rho A, Composite Reliability (CR), and Average Variance Extracted (AVE) were adopted as demonstrated in Table 3 and Figure 2 (Hair et al., 2022). Firstly, we evaluated the indicator loadings for all constructs. Hair et al. (2016) suggest that outer loadings should meet or exceed 0.708, while the Average Variance Extracted (AVE) should be greater than 0.5. However, they also noted that outer loadings above 0.40 may be acceptable if the Average Variance Extracted and Composite Reliability values surpass the recommended threshold limit. According to the results, all loadings exceeded the 0.70 criterion value, except for two items: BEP 2 (loading 0.620) and BEP 5 (loading 0.699). Despite these lower loadings, both items were retained since the Average Variance Extracted (AVE) of the Bank environmental performance construct exceeded the threshold of 0.50 (AVE 0.543). However, one item, GBI 2 (loading 0.597*), was deleted due to the AVE of the construct falling below 0.50. Furthermore, the reliability measures Cronbach's Alpha, Internal consistency (RhoA), and Composite reliability (CR)

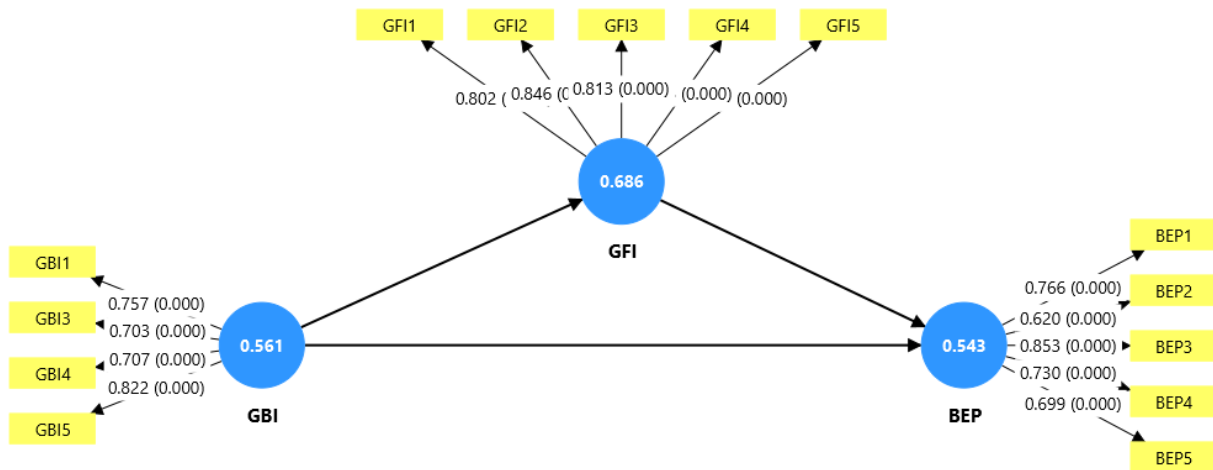


Figure 2. Measurement model assessments

Table 3. Reliability and validity of the construct

Constructs	Coding	Factor loading	Cronbach's Alpa	RhoA	Composite reliability	AVE
Green banking initiatives	GBI 1	0.757	0.765	0.813	0.836	0.561
	GBI 2	0.597*				
	GBI 3	0.703				
	GBI 4	0.707				
	GBI 5	0.822				
Green finance initiatives	GFI 1	0.802	0.885	0.890	0.916	0.686
	GFI 2	0.846				
	GFI 3	0.813				
	GFI 4	0.885				
	GFI 5	0.793				
Bank environmental performance	BEP 1	0.766	0.786	0.801	0.855	0.543
	BEP 2	0.620				
	BEP 3	0.853				
	BEP 4	0.730				
	BEP 5	0.699				

Note: * Item is deleted.

for all constructs ranged between 0.70 and 0.95, indicating satisfactory reliability and internal consistency of the outer measurement model. We examined the results of AVE to further assess convergent validity. The AVE values for all three constructs exceeded the critical value of 0.50, indicating that convergent validity for the constructs has been established.

3.2.2. Discriminant validity

Discriminant validity is established to ensure that each construct in the study is distinct from others. This is confirmed through three available criteria that are the Fornell-Larcker criterion, heterotrait-monotrait (HTMT), and cross-loadings. Fornell and Larcker (1981) suggest that the square root of

the Average Variance Extracted (AVE) should exceed the respective correlations in both rows and columns. Meanwhile, Henseler et al. (2015) propose that all HTMT ratios should be below 0.85. Another criterion for establishing discriminant validity involves cross-loadings. Cross-loadings indicate that item loadings should be highest within their respective constructs. According to Table 4, the square root of the AVE values for the BEP, GBI, and GFI constructs surpasses the off-diagonal values, satisfying the Fornell and Larcker criteria. Additionally, as per Table 5, all HTMT ratios are below 0.85. Moreover, as shown in Table 6, all items are highly correlated with their own constructs, meeting the criterion of cross-loadings. These results together establish a strong discriminant validity.

Table 4. Fornell and Larcker criteria

Construct	Bank environmental performance	Green Banking initiatives	Green finance initiatives
Bank environmental performance	0.737	–	–
Green Banking initiatives	0.433	0.749	–
Green finance initiatives	0.7	0.358	0.828

Table 5. HTMT ratio

Constructs	Heterotrait-monotrait ratio (HTMT)
Green Banking initiatives ↔ Bank environmental performance	0.542
Green finance initiatives ↔ Bank environmental performance	0.821
Green finance initiatives ↔ Green Banking initiatives	0.387

Table 6. Cross loading

Construct item	Green Banking initiatives	Green finance initiatives	Bank environmental performance
GBI 1	0.757	0.260	0.340
GBI 3	0.703	0.183	0.199
GBI 4	0.707	0.174	0.198
GBI 5	0.822	0.370	0.446
GFI 1	0.203	0.802	0.495
GFI 2	0.346	0.846	0.58
GFI 3	0.227	0.813	0.606
GFI 4	0.304	0.885	0.602
GFI 5	0.377	0.793	0.599
BEP 1	0.283	0.532	0.766
BEP 2	0.468	0.386	0.620
BEP 3	0.459	0.570	0.853
BEP 4	0.082	0.657	0.730
BEP 5	0.338	0.385	0.699

3.3. Structural model assessment

3.3.1. Direct hypothesis testing

To validate hypotheses of the study as per the recommendation by Hair et al. (2022), we have conducted bootstrapping using 10,000 subsamples. The results from Table 7 and Figure 3 indicate significant findings.

Firstly, it was found that Green Banking initiatives (GBI) significantly influence Bank environmental performance (BEP), supported by β of 0.210, t-value of 2.985, p-value of 0.003, and the confidence interval value [0.070, 0.348], thereby supporting Hypothesis 1. This indicates that Green initiatives by banks can significantly improve bank environmental performance.

Secondly, Green Banking initiatives (GBI) demonstrate a notable and significant influence on Green finance initiatives (GFI) with a β of 0.358, t-value of

5.337, p-value of 0.000, and the confidence interval value [0.206, 0.473], thus validating Hypothesis 2. This demonstrates that a high level of green banking initiatives will significantly enhance banks' commitment to green financial initiatives.

Additionally, Green finance initiatives (GFI) significantly impact Bank environmental performance (BEP), as indicated by β of 0.625, t-value of <https://doi.org/10.941>, p-value of 0.000, and the confidence interval value [0.497, 0.727], thus supporting Hypothesis 3. This suggests that banks that implement green financial initiatives achieve a high level of environmental performance.

Furthermore, the statistical assessment of multicollinearity was checked by adopting the Variance Inflation Factor (VIF). All the inner VIF values ranged between 1.000 to 1.147, which are below the threshold limit of 3.3 as suggested by Kock (2015). This indicates that there were no multicollinearity concerns among the predictor constructs.

Table 7. Hypotheses testing

Hypotheses	Path	Beta (β)	t-value	p-values	CI (2.5%:97.5%)		Remark	VIF inner
H1	GBI \rightarrow BEP	0.210	2.985	0.003	0.070	0.348	Supported	1.147
H2	GBI \rightarrow GFI	0.358	5.337	0.000	0.206	0.473	Supported	1.000
H3	GFI \rightarrow BEP	0.625	10.941	0.000	0.497	0.727	Supported	1.147

3.4. Mediation analysis

A mediation analysis was used to investigate the role of Green Finance Initiatives (GFI) in mediating the relationship between Green Banking initiatives (GBI) and Bank environmental performance (BEP). The indirect effect was determined using a bootstrapping procedure with 10,000 subsamples (Hair et al., 2022).

As displayed in Table 8, the indirect effect of GBI \rightarrow GFI \rightarrow BEP is statistically significant with β of 0.224, t-value of 4.315, p-value of 0.000, and a confidence interval value of [0.123, 0.323]. These results demonstrate that green banking initiatives positively influence bank environment performance through enhancing green finance activities.

Furthermore, the authors examined the type of mediation (Table 9), which shows that the direct effect of GBI \rightarrow BEP is significant with $\beta = 0.210$ and $p < 0.01$. The specific indirect effect through GFI is also statistically significant, $\beta = 0.224$, and $p < 0.01$, while the total effect of GBI on BEP is significant with $\beta = 0.433$ and $p < 0.01$. Since both the direct and indirect effects are statistically significant, the mediation is classified as partial mediation (Hair et al., 2022). These results confirm that Green Finance Initiatives (GFI) partially mediate the relationship between Green Banking Initiatives (GBI) and Bank Environmental Performance (BEP), which suggests that while GBI directly con-

tributes to BEP, part of its impact is channeled through enhanced GFI.

3.4.1. Coefficient of determination (R^2) and predictive relevance (Q^2)

R-squared (R^2) and Q-squared (Q^2) statistics are adopted to assess the model's explanatory power. The metrics were used to assess the amount of variance explained by the exogenous construct in the endogenous variable and predictability of the study model with the observed data (Hair et al., 2022). The results of R^2 and Q^2 are presented in Table 10 and displayed in Figure 3.

The value of R^2 for Bank Environmental Performance (BEP) is 0.528, which indicates that approximately 52.8 per cent of the variance in Bank Environmental Performance (BEP) is explained by exogenous constructs such as Green Banking Initiatives (GBI) and Green Finance Initiatives (GFI). According to Hair et al. (2022), R^2 Values of 0.75, 0.50, and 0.25 represent substantial, moderate, and weak, respectively. As per this rule R^2 value of 0.528 indicates moderate explanatory power. This implies that exogenous constructs GBI & GFI provides meaningful and satisfactory level of prediction for BEP in the context of the current behavioral study.

Furthermore, the Q^2 value of BEP is 0.173, which is greater than zero. As recommended by Geisser

Table 8. Mediation analysis

Hypotheses	Path	Beta (β)	t-value	p-values	CI (2.5%:97.5%)		Remark
H4	GBI \rightarrow GFI \rightarrow BEP	0.224	4.315	0.000	0.123	0.323	Supported

Table 9. Type of mediation analysis

Hypotheses	Path	Total effect GBI \rightarrow BEP	Direct Effect GBI \rightarrow BEP	Specific Indirect effect GBI \rightarrow GFI \rightarrow BEP	Type of Mediation
H4	GBI \rightarrow GFI \rightarrow BEP	0.433**	0.210**	0.224**	Partial mediation

Note: ** Significance at $p < 0.01$.

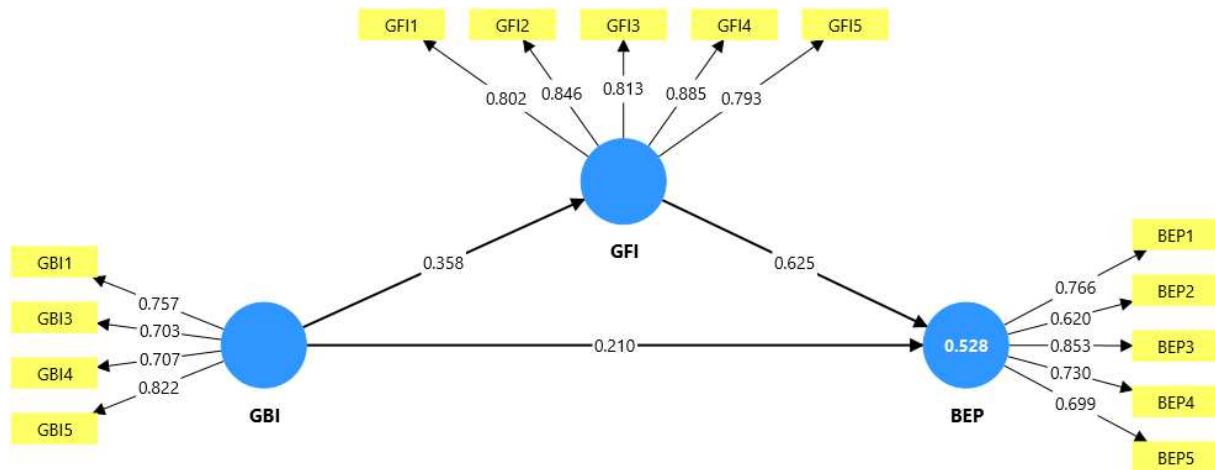


Figure 3. Structural model assessments

(1974) and Stone (1974) Q^2 value greater than zero indicates predictive relevance of the model on a specific endogenous construct. Therefore, the fact that the Q^2 value is high proves that the model can effectively predict the banks’ environmental performance.

Together, the outcomes of R^2 and Q^2 indicate that the current model has satisfactory explanatory power with high predictive relevance, which can be regarded as a good empirical validation of the proposed structural framework.

Table 10. R^2 and Q^2

Dependent Variable	R-square	Q-square
Bank environmental performance (BEP)	0.528	0.173

4. DISCUSSION

This study investigated how Green Banking Initiatives (GBI) affect Bank Environmental Performance (BEP) and are mediated by Green Finance Initiatives (GFI) in the context of the Indian banking system. The study was based on the theoretical conceptualization of the Resource-Based View (RBV) of the firm, in which GBI was interpreted as an internal strategic resource that allowed banks to engage in environmentally responsible practices, and GFI as dynamic capabilities that direct the external environmentally resourceful efforts through these capabilities. The results support this theorized pathway empirically.

The findings demonstrated that Green Banking Initiatives affect the Bank Environmental Performance in a significant positive way, as Hypothesis H1 proved to be true. This observation is in line with other previous studies (Shaumya & Arulrajah, 2018; Vidyakala, 2020; Chen et al., 2022), which highlight that environmentally friendly business practices, e-banking activities, and environmental internal regulations improve the environmental performance of institutions in terms of environmental status. This indicates that those banks that incorporate the culture of sustainability in their operations are in a better position to lower carbon footprints and show greater levels of environmental governance.

Moreover, the findings confirm Hypothesis H2, stating that Green Banking Initiatives have a significant and positive impact on Green Finance Initiatives. This is consistent with other existing studies (Rehman et al., 2021; Chen et al., 2022; Zhang et al., 2022), which reveal that those banks that have high internal green orientations are more inclined to deploy environmentally responsible financing, including green loans, financing of renewable energy projects, and climate-related investment products. Therefore, GBI is a facilitating pillar that leads to institutional commitment and mobilization of resources necessary to institutionalize green financing to scale.

Also, the analysis established the positive and significant impact of Green Finance Initiatives on Bank Environmental Performance, supporting Hypothesis H3. This correlates with previous

studies (Yin et al., 2019; Kraus et al., 2020; Zhu & Siddik, 2023), indicating that financial investments in environmentally friendly projects have a direct positive impact on the emission level, resource efficiency, and environmental sustainability. This means that green financing is the direct operational tool through which the banks can be used to affect the wider ecological benefits.

Significantly, the paper also validated the mediating position of Green Finance Initiatives in Green Banking Initiatives and Bank Environmental Performance relationship, which proved Hypothesis H4. One of the implications of the partial mediation is that although GBI has a direct effect on BEP, much of its effect occurs via improved GFI. This supports the RBV view that

internal sustainability commitments (GBI) would have to be matched in terms of externality-oriented financial practices (GFI) to generate meaningful environmental impacts. This stepwise process is also confirmed by previous research, as green financing is the tool turning green internal commitment into green performance benefits (Zhang et al., 2022; Chen et al., 2022). Therefore, it is important to increase the magnitude of green financing in terms of diversity and policy-support to achieve the best environmental impact of green banking. In general, the results indicate that the shift towards the low-carbon banking environment in India cannot be achieved without the internal operations being greened on the one hand and the long-term financing portfolios being re-oriented on the other.

CONCLUSION

The present study explored how Green Banking Initiatives influence banks' environmental performance in India and, at the same time, determines the mediating effect of Green Finance Initiatives. The study has provided empirical support to prove the significance of Green Banking Initiatives and Green Finance Initiatives in improving and enhancing banks Environmental Performance in India. From this, it is evident that banks can improve their sustainability performance and goals in an extraordinary way if they can integrate the environmental practice within the bank with the green financing going outside the bank. The study strongly contributes to the application of the RBV in the environmental finance context, as it displays that internal sustainable-oriented resources convert into environmental value mainly if they are mobilized by strong dynamic financial capabilities. In doing so, it contributes to an emerging wave of literature that draws links between green finance and corporate environmental responsibility, especially in the context of developing economies. Additionally, from a practical perspective, banking institutions should incorporate sustainability in their daily business operations and increase their green lending portfolios to make measurable environmental improvements possible. Furthermore, regulatory bodies such as the Reserve Bank of India (RBI) could abet this transition by putting in place policy and incentive frameworks for scaling green finance products: interest subsidies, credit guarantee schemes, green bond facilitation mechanisms, etc. Equally important, training and capacity building initiatives must be given priority in order to promote a sustainability-related organizational culture and increase stakeholder awareness on green financial services. However, the study is not without limitations. The empirical analysis is confined to Indian banking institutions, and findings may not be generalizable to countries with different institutional and regulatory environments. Future research could include longitudinal data to identify changes in sustainability transitions over time, or expanding the model to include other constructs such as environmental risk management practices or ESG governance structures. Comparative studies between public and private-sector banks or in different geographical locations may also provide further insight into differences in the adoption and success of green banking strategies.

AUTHOR CONTRIBUTIONS

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APPENDICES. Survey Questionnaire

APPENDIX A. Respondent Profile

Gender: Male Female

Age: 18 to 25 , 26 to 35 , 36 to 45 , 46 and above

Education qualification: Higher Secondary , Graduate , Postgraduate

Working experience in Bank: Less than 2 years , 3 to 5 years , More than 5 years

APPENDIX B

Table B1. Green banking initiatives, Green finance initiatives, and Bank environmental performance

Green Banking initiatives	
1. My bank provides green reward facilities for the employees	Adapted from Chen et al. (2022), Zhang et al. (2022)
2. My bank has provisions for eco-friendly banking services	
3. My bank provides online banking facilities to customers	
4. My bank encourages customers towards the usage of eco-friendly banking activities such as net banking, mobile banking, and E-statement	
5. My bank is involved in setting up green branches	
Green finance initiatives	
1. My bank provides loans to environmental protection and energy-saving projects	Adapted from Chen et al. (2022), Zhang et al. (2022), Rehman et al. (2021)
2. My bank invests in the renewable energy sector	
3. My bank invests in recyclable products	
4. My bank invests in eco-friendly projects	
5. My bank has a green policy for lending	
Bank environmental performance	
1. My bank contributes to the reduction of energy consumption from banking activities	Adapted from Chen et al. (2022)
2. My bank has been able to minimize carbon emissions from banking activities	
3. My banking promotes environmental literacy to employees and customers	
4. My bank undertakes social responsibility services like tree plantation campaigns, etc.	
5. My bank has reduced the usage of paper	