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# Green banking practices on performance of nepalese commercial banks

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**Abstract**
Green Banking, also known as Green initiatives undertaken by banks, strives to safeguard the environment by supporting environmentally friendly practices and lowering the carbon footprint of banking activities. The present study is aimed at measuring the impact of green banking practices on performance of Nepalese commercial banks, particular focus on commercial banks operating in Rupandehi District. In order to achieve this aim, a sample of 285 respondents was chosen, and data was collected through questionnaire employing 5-point Likert scale. The Chronbach's Alpha has been used to analyze the reliability of instruments and data. To assess bank performance, five dimensions were considered namely green investment, green product and services, green development policy and strategy, green banking awareness and NRB regulations. Indicators such as efficiency, effectiveness, and market share and growth were used to measure bank performance. The findings reveal significant relationships between green investment, green products and services, green development policy and strategy, as well as green banking awareness, with efficiency, effectiveness, and market share and growth. Moreover, NRB regulations showed a significant relationship with effectiveness but an insignificant relationship with efficiency and market share and growth. These results underscore the importance of incorporating environmental sustainability practices into banking operations to enhance overall performance. The study provides valuable insights for both academia and the banking industry, emphasizing the need for a green approach to banking for long-term success and environmental conservation.

**Keywords:** Environmentally, financial, technology, necessitates

## Introduction

In recent times, a momentous transformation has taken place on a global scale, as societies worldwide have embraced sustainable practices and confronted the critical challenges posed by climate change and environment deterioration. Policymakers and researchers have recently concentrated on green finance due to rising worldwide concern for environmental protection, climate change, and sustainable development. "Green finance" is often referred to as "sustainable finance," "environmental finance," "climate finance," and "green investment" (Adeabah, Ofosu, & Tenakwah, 2021) [1]. Green Finance, as a component of Green Banking, plays a crucial role in facilitating the shift towards environmentally-friendly sectors and promoting sustainable industries overall. Comparable to conventional marketing, the concept of "greening" in social marketing advocates for the incorporation of elements that yield beneficial outcomes for the economy, society and the environment while delivering value (Bhatt, Green Banking Practices by Commerical Banks in Kathmandu District, 2020) [3].

Green banking (GB) refers to banking activities that prioritize economic, social, and ecological concerns in order to save the environment and natural resources (Chen, Siddik, Zheng, Masukujjaman, & Bekhzod, 2022) [7]. Its primary objective is to ensure environmental preservation by promoting banks to evaluate the eco-friendliness and future implications of projects prior to providing financial support. This necessitates substantial endeavors from all sectors of the economy, with a particular emphasis on the active involvement of financial institutions (Khairunnessa, Vazquez-Brust, & Yakovleva, 2021) [10]. Green banking centers on the incorporation of social responsibility and environmental concerns into many facets of banking operations. Green finance is one of the sustainable and green approaches that practitioners are focusing on as a means of addressing environmental challenges (Cai & Guo, 2021) [6]. By providing funding to businesses that are prepared to take positive environmental action, or "green growth," green finance seeks to increase the financial sector's contribution to environmental protection. Since the first green bank was established in the US city of Mt. Dora, Florida, in 2009, the banking sector has been working to boost long-term green finance and green growth. A market-based solution to the deterioration of the environment through time was the development of green banking and finance for developing nations. Countries like Pakistan, India, Bangladesh, China, Germany, Romania, Poland, and Vietnam use green banking techniques to encourage the growth of the green economy (Kumar, *et al*., 2022) [11].

Laxmi Bank initiated the use of sustainable banking methods in Nepal, creating a standard for eco-awareness in the financial industry. Standard Chartered Bank then adopted green banking standards; reinforcing the nation's dedication to environmentally friendly financial services (Mehta & Sharma, 2016) [12]. Implementing Green Economy programs in Nepal faces challenges like capacity building, technology transfer, processing, value addition, and climate change mitigation. However, interdisciplinary planning, interdisciplinary implementation, participatory monitoring, and evaluation are essential for sustainable growth (Mishra & Aithal, 2022) [13].

Adopting green banking methods has a number of benefits. Basically, it entails providing environmentally friendly goods and services, making green investments, developing green policies and strategies, educating the public about environmentally friendly business practices, and coming up

with green business plans, all of which are excellent ideas and will encourage people to change their operations in a way that benefits future generations and positively impact bank performance (K & Arulrajah, 2017) [9].

**Statement of the Problem**

This study address a significant research gap in Nepal, as the concept of green banking is relatively new and has not been extensively new and has not been extensively studied in the country. Considering this lack of enough research, the present study is conducted in the Rupandehi District examining to shed light on the emerging concept of green banking and its implications in this region. Taking this as a gap, the study aims to provide valuable insights into implementation and impact of green banking practices on Bank performance.

**Objectives of the Study**

- To examine the relationship between green banking practices and financial performance of commercial banks.
- To measure the effect of green banking practices on bank's performance in Nepal.

**Limitations**

- The study focused on Commercial Banks in the Rupandehi district, the results may not reflect the practices of banks in other regions or types of financial institutions.
- The sample size may be considered relatively small, which could limit the generalizability of findings to a larger population or other regions.
- The data collected from respondents might rely on self-reported measures, which could introduce information bias or inaccuracies in their responses.
- Limited time frame is the other constraints for the study.

**Literature Review**

In a research study researchers used the panel data regression to conduct their study from 1997 to 2013, in order to determine the relationship between environmental performance and financial performance. They included financial variables such as net income, expenses with profitability, and variables of green banking exhibiting environmental performance. The study's findings indicate that there is a significant association between net income and profitability, but no such relationship exists between the adoption of green banking and a bank's profitability (Rajput, Arora, & Khanna, 2013) [14].

Based on the study conducted on 2017, it has found that green banking practices significantly impact a bank's environmental performance. Employee, daily operation, and policy practices have positive impacts, while customer practices have no significant impact. The study collected through primary data from 155 employees at selected branches (K & Arulrajah, 2017) [9].

This study aims to investigate the determinants that affect the adoption of green banking practices within commercial banks in Sri Lanka. The data was gathered from 300 bank employees using Convenience Sampling. The research findings indicate that the level of management commitment and support plays a significant role in influencing the adoption of green banking practices. The results suggest a positive correlation between management commitment and the intention to adopt green banking practices among commercial banks in Sri Lanka (C & A.L.M.A, 2017) [5].

The study looked at the effect of green banking policies on bank's environmental performance in Nepal. The study came to the conclusion that green policies and energy-efficient equipment had a substantial impact on the environmental performance of banks. Similar to that, the environmental training only slightly improved how environmentally responsible the bank was. The 189 samples were taken from the banks in the Kathmandu Valley applying a convenient sampling technique (Risal & Joshi, 2018) [15].

The study examines customers' perception of green banking practice and its impact on bank loyalty. It also investigates the mediating effect of green image and bank trust in the relationship between green banking practice and bank loyalty. Data from 551 North Cyprus retail banking customers was analyzed using structural equation modeling. The results showed that green banking practices have a direct and significant impact on the green image, bank trust and bank loyalty. Bank loyalty and trust are significantly impacted by green images. There is no significant relationship between bank loyalty and trust. Bank trust does not buffer the association between green banking practice and bank loyalty; rather, the relationship between green image and bank loyalty does (Ibe-enwo, Igbudu, Garanti, & Popoola, 2019) [8].

A study conducted on green banking practices in Kathmandu District revealed that customers are not fully aware of green banking products and services, while employees are fully aware. However, customers feel insecure due to security issues and fear of misused private information. A sample of 300 employees was selected for data analysis from Kathmandu Valley (Bhatt, Green Banking Practices by Commerical Banks in Kathmandu District, 2020) [3].

In a study conducted in 2021, the researchers aimed to investigate the dimensions of green finance (GF) and their impact on the sustainability performance of banks in Bangladesh. The empirical findings revealed a significant relationship between the sustainability performance of banks and the social, economic, and environmental aspects of green financing. Integrating green finance practices positively impacts a bank's sustainability performance in economic, social, and environmental aspects. 95% of bankers recognize green financing as a crucial element in short-term and long-term banking strategies for Bangladesh's development (Zheng, Siddik, Masukujjaman, & Fatema, 2021) [16].

**Conceptual Framework**

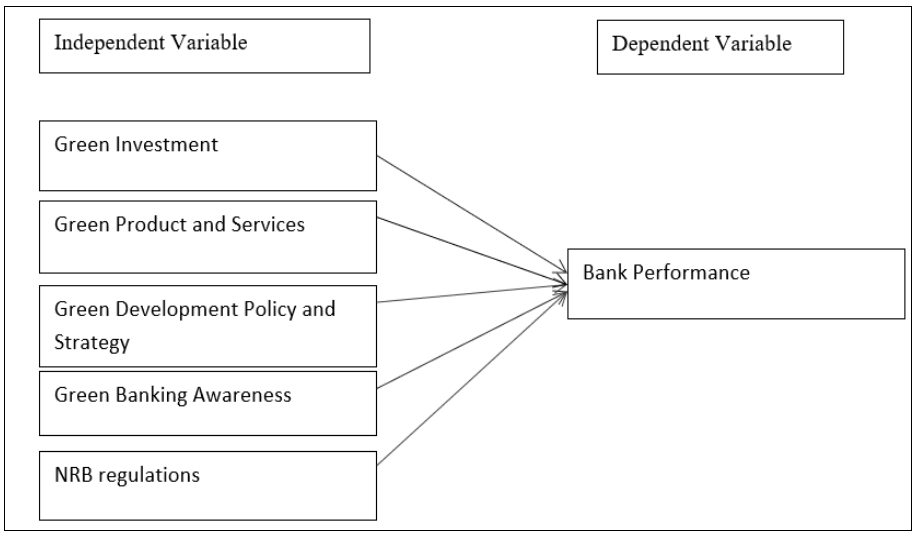


**Fig 1:** Conceptual Framework

**Hypothesis**

**H1:** There is significant relationship between Green Investment and Bank Performance.

**H2:** Green Product and Services has a significant relationship on Bank Performance.

**H3:** Green Development Policy and Strategy has significant relationship with Bank Performance.

**H4:** There is significant relationship with Green Banking Awareness and Bank Performance.

**H5:** NRB regulation has significant relationship with Bank Performance

**Research Methodology**

The study surveyed 285 employees from Commercial Banks in Rupandehi Districts using a structured questionnaire. The data was analyzed using quantitative methods, including descriptive analysis and inferential statistics. Descriptive analysis was used to present data in tables, while inferential statistics, including correlation and regression, were used to examine the relationship between green banking activities and bank performance. Diagnostic tests were performed to ensure the normality of residuals. The data was coded and entered into SPSS Version 20.0 for further analysis.

**Findings**

**Table 1:** Demographic Profile of Respondents

| | | N | % |
|---|---|---|---|
| Age | 20 years to 30 years | 165 | 57.9 |
| | 30years to 45years | 100 | 35.1 |
| | Over 45 Years | 20 | 7 |
| | Total | 285 | 100 |
| Gender | Male | 157 | 55.1 |
| | Female | 128 | 44.9 |
| | Total | 285 | 100 |
| Educational Qualification | Bachelors | 135 | 47.4 |
| | Masters or above | 150 | 52.6 |
| | Total | 285 | 100 |
| Working Experience | Less than 1 year | 46 | 16.1 |
| | 1-3 years | 84 | 29.5 |
| | 3-5 years | 57 | 20 |
| | Above 5 years | 98 | 34.4 |
| | Total | 285 | 100 |
| Job Position | Junior Assistant | 139 | 48.8 |
| | Officer Level | 51 | 17.9 |
| | Bank Manger | 26 | 9.1 |
| | Others | 69 | 24.2 |
| | Total | 285 | 100 |

The study surveyed 285 respondents, with 57.9% falling within the 20-30 age range, 35.1% between 30 and 45, and 7% over 45. Out of the total, 157 were male, while 44.9% were female. The majority held a Master's degree or above, with 52.6% holding a Bachelor's degree. The majority had more than 5 years of experience, with 34.4% reporting more than 5 years of experience. The job position structure revealed that 48.8% of respondents held junior assistant

accounting positions, while 17.9% were at the officer level, 9.1% were Bank Managers, and 24.2% were in other job positions. The majority of respondents had 1-3 years of experience, while 16.1% had less than 1 year of experience. The data suggests that the job market is diverse and requires further research.

**Descriptive Statistics**

**Table 2:** Status of Green Banking Activities

| | Green Investment | Green Product and services | Green Development Policy and Strategy | Green Banking Awareness | NRB Regulations |
|---|---|---|---|---|---|
| Mean | 3.7275 | 3.7281 | 3.7164 | 4.0821 | 3.7277 |
| SD | 0.5828 | 0.7924 | 0.68173 | 0.76884 | 0.76506 |
| Min | 2.0000 | 2.6700 | 2.0000 | 1.4000 | 1.200 |
| Max | 5 | 5 | 5 | 5 | 5 |

The survey results show a generally favorable view of green banking activities, with respondents generally agreeing with the formulation of green products and services in the banking sector. Green Banking Awareness has the highest mean score of 4.0821, indicating a high level of agreement. The mean score of 3.7281 suggests agreement with the need for NRB regulations to enhance green activities in banks. The mean score of 3.7275 indicates a positive perception of green investment offered by banks. The mean score of 3.7164 suggests a tendency towards agreement regarding the implementation of green development policies and strategies by banks. Overall, respondents have a positive perception of green banking activities.

**Table 3:** Status of Bank Performance

| | Efficiency | Effectiveness | Market Share and Growth |
|---|---|---|---|
| Mean | 4.0105 | 3.8658 | 3.9316 |
| SD | 0.5548 | 0.6320 | 0.6622 |
| Min | 2.6700 | 2.0000 | 2.000 |
| Max | 5 | 5 | 5 |

The table 3 shows the bank's performance in efficiency, effectiveness, market share, and growth. The mean score of 3.8658 indicates satisfaction with the bank's effectiveness, while 4.0105 suggests agreement with efficiency due to green banking practices. The mean score of 3.9316 suggests slightly above neutral point 3 for market share and growth. Overall, respondents perceive the bank's performance as positive in efficiency, effectiveness, and market share and growth, with scores above 3 on the likert scale indicating a favorable perception.

**Reliability Test**

**Table 4:** Reliability Test

| Variables | Cronbach's Alpha | No of items |
|---|---|---|
| Green Investment | 0.730 | 6 |
| Green Product and Services | 0.784 | 6 |
| Green Development and Strategy | 0.838 | 6 |
| Green Banking Awareness | 0.909 | 5 |
| NRB regulations | 0.866 | 5 |
| Efficiency | 0.721 | 3 |
| Effectiveness | 0.842 | 4 |
| Market Share and Growth | 0.845 | 4 |

Table 4 shows the reliability test which was conducted using Cronbach's Alpha and the overall Cronbach's is more 0.7 which indicates the items used to measure construct is reliable.

**Correlation Analysis**

**Table 5:** Correlation Analysis

| | GI | GPS | GDPS | GBA | NRB | EFFIC | EFFE | MSG |
|---|---|---|---|---|---|---|---|---|
| GI | 1 | .653** | .573** | .248** | .289** | .533** | .558** | .400** |
| GPS | | 1 | .683** | .408** | .392** | .604** | .518** | .511** |
| GDP | | | 1 | .497** | .485** | .630** | .728** | .672** |
| GBA | | | | 1 | .629** | .517** | .512** | .551** |
| NRB REG | | | | | 1 | .460** | .513** | .502** |
| EFFI | | | | | | 1 | .725** | .702** |
| EFFE | | | | | | | 1 | .807** |
| MSG | | | | | | | | 1 |

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

The correlation analysis in Table 5 shows a positive correlation between green investment and efficiency, with a 0.533 value, suggesting that increased green investment leads to improved operational efficiency. The same relationship was found for effectiveness, with a 0.558 value, indicating a positive relationship between green investment and effectiveness. However, the correlation between green investment and market share and growth is low, suggesting that other factors may play a more significant role.

The study found a positive correlation between green products and services and efficiency, effectiveness, and market share and growth. The correlation between green development policy and efficiency was moderate, with a strong positive relationship between these factors. The study also found a moderate positive relationship between green development policy and effectiveness, market share, and growth. These findings suggest that well-defined green policies can enhance a company's efficiency, effectiveness, and overall market share and growth.

The study found a positive correlation between green banking awareness and efficiency, effectiveness, market share, and growth, with a high degree of correlation. However, a low degree of positive correlation was found between green banking awareness and efficiency, and a positive correlation was found between NRB regulations and effectiveness, market share, and growth.

**Result of Regression Analysis**

For the purpose of analyzing the impact of explanatory variables on Bank Performance, multiple regression analysis has been performed and the result of analysis is summarized in the table.

There are three models to measure Bank Performance. They include Model 1= Efficiency, Model 2= Effectiveness, Model 3 = Market Share and Growth whose summarization is given in the Table below.

**Table 6:** Summary of Regression Analysis Examining the Impact of Explanatory Variables on Efficiency

| Model | Constant | GI | GPS | GDPS | GBA | NRB | $R^2$ | F | Sig |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 1.053 | 0.182** | 0.186* | 0.196* | 0.164* | 0.049 | 0.520 | 60.466 | 0.000** |
| | | (0.001) | (0.002) | (0.031) | (0.015) | (0.218) | | | |
| | | (1.866) | (2.367) | (2.305) | (1.829) | (1.775) | | | |

*Note.* * Results are significant at 5 percent level of significance, ** Results are significant at 1 percent level of significance. Figure in the parentheses indicate level of significance and variance inflation factor respectively.

Table 6 depicts the result of regression analysis. The dependent variable is efficiency and the explanatory variables are green investment, green product and services, green development policy and strategy, green banking awareness and NRB regulation. The result presented in the table 6 shows that sig. value of F statistics (F= 60.466, Sig= 0.000) which implies that model is significant at 1 percent level of significance. Likewise, the value of $R^2$ is 0.520, it means the independent variables Green Investment, Green Product and Services, Green Development Policy and Strategy, Green Banking Awareness and NRB Regulations explain 52% of variation in the dependent variable which is Efficiency and other variation is explained by other factors.

Green Investment has positive and significant relation with efficiency at 1% level of significance. Green Products and Services, Green development policy and strategy and Green Banking Awareness are statistically significant at 95% confidence level as their p- values are less than 0.05. Similarly, NRB regulation has insignificant relationship with employee efficiency.

The study reveals that every unit increase in green investment, green products and services, green development policy and strategy, green banking awareness, and NRB regulation leads to a positive Beta coefficient of 0.182, 0.186, 0.196, 0.164, and 0.049 respectively. These coefficients indicate that every unit increase in green investment, products and services, green development policy and strategy, green banking awareness, and NRB regulation leads to a 0.164, 0.164, and 0.049 increase in efficiency, respectively. These findings highlight the importance of green investment, green products and services, and NRB regulation in enhancing efficiency.

**Model Diagnostic Tests**

**Test of Normality of Residuals**

For the purpose of testing normality of residual KS test and SW test has been performed. Results depicts that the significance value of KS and SW test is more than 0.05. So the residuals are normally distributed.

**Test of Homoscedasticity**

Scatter plot of standardized residual has been plotted based on standardized predicted values of the model for the purpose of detecting heterocedasticity. The result of outcome is presented in figure 2.

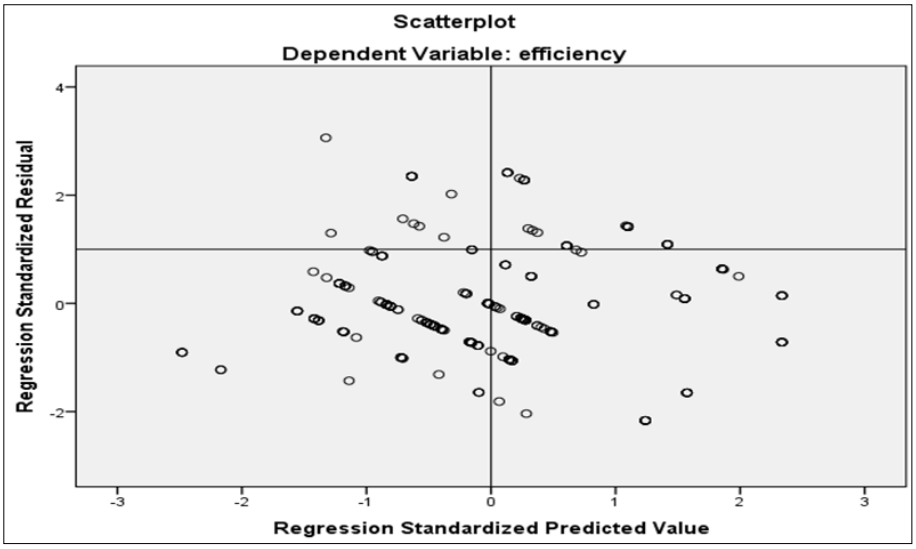


**Fig 2**

The scatter plot shows test of Homoscedasticity. It can be observe from the figure that Standardized residual are randomly distributed across the standardized predicted value therefore, it can be inferred that there is no problem of Hetroskedasticity in the result of Multiple Regression Analysis.

**Table 7:** Summary of Regression Analysis Examining the Effect of Explanatory Variables on Effectiveness

| Model | Constant | GI | GPS | GDPS | GBA | NRB | $R^2$ | F | Sig |
|---|---|---|---|---|---|---|---|---|---|
| 2 | 0.583 | 0.287* | -0.138* | 0.483* | 0.126** | 0.114* | 0.610 | 87.138** | 0.000 |
| | | (0.016) | (0.029) | (0.011) | (0.003) | (0.006) | | | |
| | | (1.866) | (2.367) | (2.305) | (1.829) | (1.775) | | | |

*Note.* * Results are significant at 5 percent level of significance, ** Results are significant at 1 percent level of significance. Figure in the parentheses indicate level of significance and variance inflation factor respectively.

Table 7 depicts the result of regression analysis. The dependent variable is effectiveness and the explanatory variables are green investment, green product and services, green development policy and strategy, green banking awareness and NRB regulation. The result presented in the table 8 shows that sig. value of F statistics (F= 87.138, Sig= 0.000) which implies that model is significant at 1 percent level of significance. Likewise, the value of $R^2$ is 0.610, it means the independent variables Green Investment, Green Product and Services, Green Development Policy and Strategy, Green Banking Awareness and NRB Regulations explain 61% of variation in the dependent variable which is Effectiveness and other variation is explained by other factors.

Green Investment, Green Development Policy and strategy as well as NRB regulations have positive significant relation with dependent variable at 1% level of significance. Likewise, Green Products and Services have negative significant relation. Additionally, Green Banking Awareness is statistically significant at 95% confidence level as their p-values is less than 0.05

The green investment have positive Beta coefficient of 0.287 it means each 1 unit increase in green investment would lead to increase efficiency by 0.287 unit. The green product and services has Negative Beta coefficient of -0.138 it means each 1 unit increase in green product and services would lead to decrease efficiency by 0.138 unit. Similarly Beta coefficient of green development policy and strategy have positive Beta coefficient of 0.483 which indicates that 1 unit increase in green development policy and strategy leads to increase efficiency by 0.483 unit. Green banking awareness have positive beta of 0.126 which indicates that 1 unit increase in green banking awareness leads to increase efficiency by 0.126. Furthermore, NRB regulation has a positive Beta coefficient of 0.114, implying that 1 unit increase in NRB regulation leads to increase effectiveness by 0.114 units.

**Test of Normality of Residuals**

For the purpose of testing normality of residual KS test and SW test has been performed and the result of analysis has been reported. The result depicts that the significance value of KS and SW test is more than 0.05. So the residuals are normally distributed.

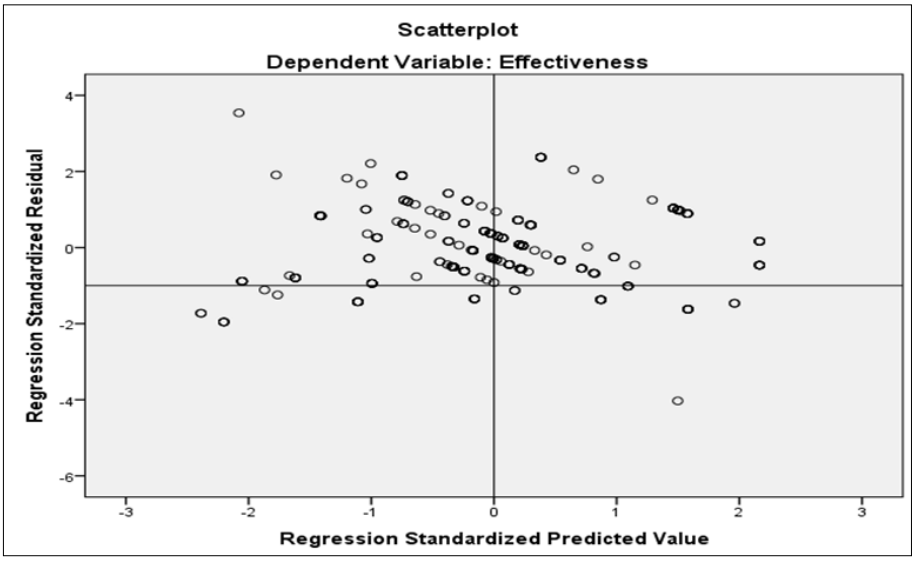


**Fig 3**

The scatter plot shows test of Homoscedasticity. It can be observe from the figure that Standardized residual are randomly distributed across the standardized predicted value therefore, it can be inferred that there is no problem of Hetroskedasticity in the result of Multiple Regression Analysis.

**Table 8:** Summary of Regression Analysis Examining the Effect of Explanatory Variables on Market Share and Growth

| Model | Constant | GI | GPS | GDPS | GBA | NRB | $R^2$ | F | Sig |
|---|---|---|---|---|---|---|---|---|---|
| 3 | 0.33 | 0.015* | 0.056* | 0.452* | 0.196* | 0.095 | 0.724 | 61.321** | 0.000 |
| | | (0.047) | (0.049) | (0.034) | (0.001) | (0.444) | | | |
| | | (2.783) | (2.567) | (3.210) | (2.345) | (2.031) | | | |

*Note.* * Results are significant at 5 percent level of significance, ** Results are significant at 1 percent level of significance. Figure in the parentheses indicate level of significance and variance inflation factor respectively.

Table 8 depicts the result of regression analysis. The dependent variable is Market Share and growth and the explanatory variables are green investment, green product and services, green development policy and strategy, green banking awareness and NRB regulation. The result presented in the table 10 shows that sig. value of F statistics (F= 61.321, Sig= 0.000) which implies that model is significant at 1 percent level of significance. Likewise, the value of $R^2$ is 0.724, it means the independent variables Green Investment, Green Product and Services, Green Development Policy and Strategy, Green Banking Awareness and NRB Regulations explain 72.4% of variation in the dependent variable which is Market Share and growth and other variation is explained by other factors. Green Investment, Green Products and services, Green Development policy and strategy, Green banking Awareness are statistically significant at 95% confidence level as their p- values are less than 0.05. Similarly, Green Product and service and NRB regulation has positive and insignificant relation with dependent variable. Additionally, NRB regulations have insignificant relationship with market share and growth.

Green Investment has positive Beta coefficient of 0.015, implying that every 1 unit increases in green investment leads to a 0.015 unit increase in market share and growth. Green products and services have a Positive Beta coefficient of 0.056, which implies that every 1 unit increases in green product and services leads to a 0.056 unit increase in market share and growth. Similarly, green development policy and strategy have a positive Beta coefficient of 0.452, indicating that every unit rise in green development policy and strategy leads to increase market share and growth by 0.452. Green banking awareness has a positive beta of 0.196, indicating that each increase in green banking awareness leads to increase market share and growth by 0.196. Furthermore, NRB regulation have positive Beta coefficient of 0.095 which implies that 1 unit increase in NRB regulation leads to increase market share and growth by 0.095.

**Test of Normality of Residuals**

For the purpose of testing normality of residual KS test and SW test has been performed and the result depicts that the sig value of KS and SW test is more than 0.05. So the residuals are normally distributed.

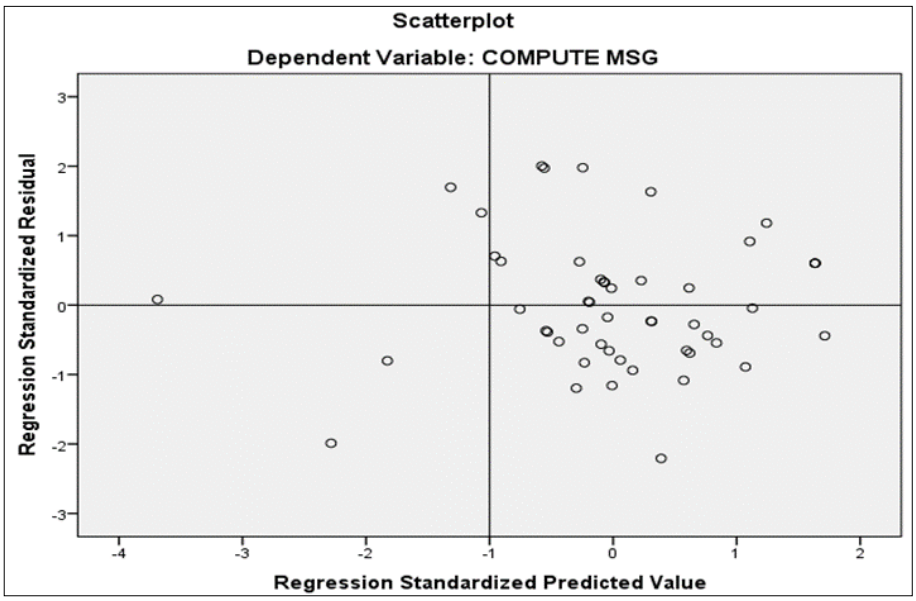


**Fig 4:** Homoscedasticity Test

The scatter plot shows test of Homoscedasticity. It can be observe from the figure that Standardized residual are randomly distributed across the standardized predicted value therefore, it can be inferred that there is no problem of Hetroskedasticity in the result of Multiple Regression Analysis.

**Conclusion**

Green banking practices are becoming increasingly important in the financial sector, as they contribute to environmental sustainability and improve a bank's overall performance. A study assessing the impact of green banking activities on bank performance in Nepal, particularly in the Rupandehi District, found that four dimensions - Green Investment, Green Products and Services, Green Development Policy and Strategy, and Green Banking Awareness - were positively significant with efficiency. Commercial banks in the Rupandehi District prioritize green investments, products, and development policies, resulting in better operational efficiency. This suggests that incorporating environmentally friendly practices, green products and services, and promoting awareness of green initiatives can lead to improved efficiency within the banking sector. Furthermore, incorporating green practices can strengthen customer trust and loyalty, making banks a socially responsible institution. The study found a strong correlation between green activities and effectiveness in banks in Rupandehi. Banks with clear green development policies and higher awareness of green banking tend to achieve their goals more effectively. They also capture a larger market share and experience higher growth rates. This suggests that integrating sustainable development policies and promoting green banking can significantly improve performance and competitiveness in the banking sector.

Beside this, NRB regulations have insignificant impact on market share and growth. The study emphasizes the positive impact of incorporating green banking practices in Nepal, highlighting the potential for improved financial and

operational outcomes through sustainable development policies and green banking awareness. The study reveals a discrepancy between the positive effects of green banking practices and the regulatory landscape in Nepal. The relationship between NRB regulations and efficiency, market share, and growth is insignificant, indicating a potential gap in the effective implementation of green banking practices. This highlights the need for collaboration among the banking sector, regulatory bodies, and stakeholders to bridge this gap. To fully realize the benefits, strengthened regulatory frameworks, increased collaboration, and stakeholder awareness are essential steps for successful green banking integration in Nepal. Addressing these challenges can unlock the industry's full potential for improved financial performance and competitive advantages.

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