

# IMPACT OF GREEN BANKING PRACTICES ON BANKS' ENVIRONMENTAL PERFORMANCE IN SRI LANKA: MEDIATING EFFECT OF GREEN FINANCING

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## 1. Introduction

This study intends to investigate the relationship between green banking practices and banks' environmental performance with particular reference to the banking industry in Sri Lanka. Further, it investigates the mediation effect of green financing on the association between green banking practices and the environmental performance of the banks in Sri Lanka.

## 2. Research Methodology

Using the snowball sampling technique, self-administered questionnaires were distributed among the banking personnel and 233 usable responses were selected as the final sample. Survey instruments were used to measure green banking practices (employee-related, operation-related, customer-related, and policy-related), banks' environmental performance and green financing. The developed hypotheses were empirically tested using regression analyses, ensuring validity and reliability.

## 3. Findings and Discussion

The study discovered a substantial positive association between green banking practices and the environmental performance of the banks. Green banking practices significantly predicted the banks' environmental performance. Moreover, there is a relationship between eco-friendly banking practices and the environmental performance of banking institutions, which is partially mediated through green financing.

## 4. Conclusion and Implications

The bankers can develop and implement suitable strategic plans for green banking practices based on the results of this study. The results of this study support the management, investors, and regulators, such as the Central Bank of Sri Lanka, in creating and implementing practical policies. This study represents the pioneering effort to explore the influence of green banking practices on the environmental performance of banks in Sri Lanka, taking into account the mediating role played by green financing.

**Keywords:** Banking, Environmental Performance, Green Banking Practices, Green Financing, Sri Lanka.