
Do green banking initiatives lead to competitiveness and improved financial performance? An empirical analysis of Indian banks

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Abstract: The purpose of this paper is to examine whether green banking initiatives taken by the Indian banks have increased their competitiveness and financial performance or not. This study makes an attempt to develop a conceptual model from literature sources. In order to validate the model, the primary data was collected using structured questionnaire administered on employees of the banks. The data has been analysed applying the exploratory factor analysis (EFA) and multiple regression for competitiveness. For analysing financial performance secondary data was collected from the websites of Reserve Bank of India, Indian Banking Association and annual reports of the banks for the period 2005 to 2016. The panel data regression has been used to test the impact of possible factors including green banking initiatives on financial performance measured by return on asset (ROA). Result indicates that there is no significant impact of green banking initiative on the financial performance of the bank but green banking initiatives have increased the competitiveness of the banks through improved operational efficiency, cost saving, financial efficiency and product improvement. Thus, we have observed green banking directly improves competitiveness and indirectly improves financial performance.

Keywords: financial performance; competitiveness; green banking; return on asset; ROA; sustainable practices.

Reference to this paper should be made as follows: Singh, R.P., Nagdev, K. and Kishor, N. (2022) 'Do green banking initiatives lead to competitiveness and improved financial performance? An empirical analysis of Indian banks', *Int. J. Public Sector Performance Management*, Vol. 10, No. 1, pp.22–40.