

## **Impact of Green Finance Practices on Financial Performance: Evidence from the Banking Sector in Sri Lanka**

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### **Abstract**

The consequences of climate change are being felt all over the world which endangers life on our planet. Banks as a backbone of every economy can fight back against the new set of challenges brought by climate change. The concept of green finance has evolved as a modern and proactive way of steering the economy in a sustainable direction rather than just inflating numbers. The purpose of this study is to explore the impact of green finance practices on the financial performance of commercial banks in Sri Lanka. Licensed commercial banks were surveyed for primary data from 10 licensed commercial banks that were analyzed using linear regression analysis. The results indicate that green finance has a significant positive impact on the financial performance of commercial banks in Sri Lanka. To measure green finance practices, 11 green finance products have been used. Return on assets, return on equity, and non-performing loans are considered indicators of the financial performance of banks. As people still do suffer and the world's economy starts to rebreathe from the recent environmental challenges, it's an interesting win-win solution for the entire society as banks can improve their financial performance and the whole world can rebuild the green world by going green. The study represents the first analysis of the concept of green finance and the financial performance of the banking sector in Sri Lanka. Thus, the study and the findings can be used as a starting point for the decision-making of financial institutions, investors, regulatory agents, practitioners, and future researchers.

**Keywords:** Green Finance, Financial Performance