

GREEN FINANCE AS A MEDIATOR BETWEEN GREEN BANKING PRACTICES AND SUSTAINABLE BEHAVIOURAL OUTCOMES

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ABSTRACT

Despite the growing emphasis on green banking and sustainable finance, empirical evidence remains limited regarding how Green Finance functions as a mediating mechanism between Green Banking Practices and Sustainable Behavioural Outcomes in developing economies. This study investigates the mediating role of Green Finance in the relationship between Green Banking Practices and Sustainable Behavioural Outcomes, with a particular focus on the Indian banking context. As a mechanism for sustainable development, Green Finance channels investments into environmentally responsible activities and aligns financial systems with climate and sustainability goals. Specifically, the study examines how Economic Incentives, Government Regulations, Customer-Related Practices, Employee-Related Practices, and Corporate Social Responsibility (CSR) initiatives influence sustainability outcomes through the intermediation of Green Finance. A quantitative, cross-sectional research design was adopted, and data were collected from 387 banking professionals and Generation Z consumers across major Indian metropolitan cities using validated measurement instruments. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to test the hypothesized relationships and mediation effects. The results reveal that Employee-Related Practices, Government Regulations, and CSR initiatives significantly influence Sustainable Behavioural Outcomes, while Green Finance strengthens these relationships by facilitating sustainability transitions. The findings further suggest that awareness and regulation alone are insufficient unless they are supported by robust financial instruments and strong organizational commitment. From a practical perspective, it offers important insights for policymakers, financial institutions, and corporations seeking to strengthen sustainable banking frameworks and accelerate the adoption of green financial practices for long-term environmental and economic resilience.

Keywords: Green Finance, Green Banking Practices, Sustainable Behavioural Outcomes, Corporate Social Responsibility, Environmental Economics

1. INTRODUCTION

In recent years, global efforts toward sustainable economic development have accelerated significantly, particularly following the adoption of the Sustainable Development Goals (SDGs)

and the Paris Agreement in 2015. In this context, green finance has emerged as an important concept encompassing financial activities that support sustainable development and environmental protection, including investments in renewable energy, green infrastructure, and other environmentally responsible projects. Green finance represents an important mechanism for balancing economic growth with environmental protection, especially in light of climate change and the transition to a low-carbon economy. It includes a broad range of financial products, such as green bonds, green loans, and sustainability-linked financial instruments, all of which are designed to fund environmentally sustainable initiatives.

In recent years, green finance has become an essential tool in combating climate change and promoting a more sustainable economy. Through these evolving forms of financial intermediation, the banking sector has increasingly adopted green financing instruments such as green bonds, renewable energy investments, and sustainability-focused lending initiatives (Mir and Bhat, 2022). Green banking not only reflects ethical and social responsibility but also has the potential to shape customer attitudes and behaviour. Prior research suggests that when green banking practices are effectively communicated to the public, they can positively influence customer perceptions and increase the adoption of eco-friendly financial products (Tjahjadi et al., 2026). However, the intervening relationship between perceptions of green banking practices and customers' willingness to adopt green finance products remains insufficiently explored (Kumar et al., 2024).

Effective governance also plays a critical role in the success of green banking. Sustainability-oriented governance enhances the credibility of green finance and improves clients' perceptions of environmentally responsible financial practices (Bukhari et al., 2020). In addition, strong corporate governance mechanisms, particularly top management commitment, can significantly foster the adoption of green banking practices (Bukhari et al., 2020). At the same time, digitization has emerged as a powerful facilitator of green finance (Mastilo et al., 2025). Technologies such as fintech, artificial intelligence, and data analytics enable banks to design more tailored sustainable financing products and improve their accessibility to customers (Dar et al., 2024). These developments are expected to influence customers' behavioural intentions significantly. Nevertheless, challenges remain, particularly in understanding the barriers customers face when adopting green finance solutions (Annu and Tripathi, 2024).

Against this background, the present study examines the mediating effect of Green Finance on the relationship between Green Banking Practices and Sustainable Behavioural Outcomes. More specifically, it seeks to generate meaningful insights into how sustainable banking products can achieve stronger customer engagement by integrating existing literature on green finance, governance structures, and digital transformation. Ultimately, the study contributes to understanding how the financial industry can better align its operations with global sustainability objectives (Hidayat-ur-Rehman and Hossain, 2024).

The uniqueness of this study lies in its simultaneous examination of both the supply and demand sides of green finance adoption. While earlier studies have generally focused either on financial institutions or on consumer behaviour in isolation, this research incorporates both banking professionals and Generation Z consumers. Banking professionals provide insight into how banks implement green banking practices and respond to regulatory frameworks, whereas Generation Z consumers offer perspectives on an emerging, environmentally conscious segment of financial service users that is likely to drive future growth in sustainable finance products.

Furthermore, the study empirically examines whether Green Finance acts as a mediating mechanism between Green Banking Practices and Sustainable Behavioural Outcomes by applying PLS-SEM to data collected from both banking professionals and Generation Z consumers. This dual perspective, together with the examination of Green Finance as an intermediary

mechanism, offers a more comprehensive understanding of how institutional policies and consumer behavioural factors jointly influence sustainability in the banking sector.

2. LITERATURE REVIEW

This study is grounded in Institutional Theory, Stakeholder Theory, and the Theory of Planned Behavior, which together provide a comprehensive theoretical foundation. Institutional Theory explains how economic incentives, governmental regulations, and competitive pressures encourage banks to adopt green banking practices and green finance initiatives to maintain legitimacy. Stakeholder Theory further strengthens the framework by emphasizing that banks are accountable to multiple stakeholders, including customers, employees, investors, and society, thereby justifying the inclusion of CSR initiatives and stakeholder-oriented green practices in the model. While these theories explain why green finance is adopted at the organizational level, the Theory of Planned Behavior clarifies how green finance influences sustainable behavioural outcomes by shaping individuals' attitudes, subjective norms, and perceived behavioural control. Together, these theories provide a strong macro-micro justification for positioning Green Finance as a mediating mechanism linking institutional and stakeholder-driven practices to Sustainable Behavioural Outcomes.

2. 1. IMPACT OF ECONOMIC INCENTIVES ON SUSTAINABLE BEHAVIOURAL OUTCOMES

Economic incentives can significantly encourage shifts in consumer behaviour toward sustainability-oriented actions. Research on micro-incentives has shown promising results in promoting responsible resource consumption at various local levels (Yamabe et al., 2009; Yamabe et al., 2010). In the banking context, green banking provides monetary incentives for environmentally friendly investments, such as preferential loan rates or reward programs for sustainable spending, thereby encouraging eco-friendly behaviour. However, the effectiveness of such incentive programs depends greatly on their design and implementation. Incentives based on short-term economic gains often encourage faster adoption of sustainable practices than ecological appeals alone, although long-term behavioural change depends on how such incentives are perceived and internalized.

From the perspective of green finance, market participants' behaviour is influenced by their perception of the financial returns, viability, and environmental value of sustainable innovation (Piñeiro et al., 2020). At the same time, the interaction between intrinsic motivations and extrinsic incentives, such as monetary rewards and behavioural nudges, may produce mixed outcomes in sustainable consumption patterns (Bowles and Polanía-Reyes, 2012). In addition, technical support and advisory services play an important role in facilitating the effective adoption of green banking and sustainable practice programs (Piñeiro et al., 2020). Therefore, policy instruments in green finance should be tailored to the characteristics of the target population and should balance economic, environmental, and social objectives (Piñeiro et al., 2020; Schwartz et al., 2019).

H₁: Knowledge of Economic Incentives significantly influences Sustainable Behavioural Outcomes.

2. 2. IMPACT OF GOVERNMENTAL REGULATIONS ON SUSTAINABLE BEHAVIOURAL OUTCOMES

Government regulation is a major driver of environmentally responsible behaviour, although its effectiveness is often complex and context-dependent (Paddock, 2012). Compliance and en-

forcement are important, but regulations alone do not always guarantee sustainable outcomes. Sustainable consumption behaviour is more likely to emerge when government intervention is combined with customer awareness and education (Hasibuan and Judijanto, 2023). In many cases, regulation focuses more on corporate sustainability performance than on consumer behaviour (Lloret et al., 2018). (Yang et al. 2023) concluded that government instruments are more acceptable in stimulating green consumption than punitive measures alone.

In the financial sector, governments and regulatory authorities increasingly recognize climate change as directly linked to banking operations, leading to stronger integration of sustainability agendas into banking practices (Khairunnessa et al., 2021). Many countries are adopting measures to incorporate sustainability into the banking system to align with the 2030 sustainable development agenda (Bose et al., 2018; Karatu, 2015). In response to public pressure and regulatory demands, banks have increasingly implemented environmental risk management processes that reinforce the relationship between regulation and green consumer behaviour (Bose et al., 2018; Karatu, 2015; Khairunnessa et al., 2021).

H₂: Governmental Regulation significantly influences Sustainable Behavioural Outcomes.

2. 3. IMPACT OF CUSTOMER-RELATED PRACTICES ON SUSTAINABLE BEHAVIOURAL OUTCOMES

Customer-related practices are an important driver of sustainable behavioural outcomes, particularly in the banking sector. Because banks depend heavily on customers for revenue generation, customers play a central role in the acceptance of green initiatives and in the strengthening of a bank's environmentally responsible image (Bukhari et al., 2022). (Sharma and Choubey, 2022) found that more than 60% of respondents believed that green banking practices are important for building customer trust. However, factors such as low customer awareness and the difficulty of evaluating green projects have slowed the progress of green banking (Zhang et al., 2022).

At the same time, (Chen et al. 2022) argued that customer-related practices may have an insignificant effect on green finance and banks' environmental performance. Beyond banking, prior research has shown that sustainable practices are positively associated with consumer choice in other sectors (Datta, 2024). Although consumer awareness can encourage sustainability-oriented behaviour, awareness alone does not always translate into actual behavioural change (Masocha, 2018). This suggests that consumer education and sustainability-oriented marketing are essential for encouraging sustained behavioural change (Vágási et al., 2003; Marshall, 2013).

H₃: Customer-Related Practices significantly influence Sustainable Behavioural Outcomes.

2. 4. IMPACT OF EMPLOYEE-RELATED PRACTICES ON SUSTAINABLE BEHAVIOURAL OUTCOMES

Sustainable human resource management (HRM) practices play an important role in shaping employee behaviour and organizational performance. In sustainability-oriented organizations, initiatives that encourage employees to adopt sustainability-related values can help build stronger commitment to sustainable behaviour (Pellegrini et al., 2018). Practices related to diversity, inclusion, and high-performance work systems that promote workplace equality are generally believed to improve employee engagement, productivity, and creativity (Elias et al., 2023; Pavlova, 2022). Such work engagement can strengthen employees' long-term commitment and motivation.

Training has been shown to positively contribute to the development of sustainable behavioural commitment, whereas rewards may in some cases have a negative or less effective influence. In the banking sector, Green HRM practices, including green reward systems, environmental

training, and green performance evaluation, can support sustainability-related objectives (Chen et al., 2022). Such alignment also enhances banks' credibility and strengthens their standing among stakeholders (Gunawan et al., 2022). Moreover, stakeholder pressure is considered a major force driving green banking systems (Shafique and Majeed, 2020), while employee-oriented practices can directly affect banks' environmental performance (Aslam and Jawaid, 2022).

H₄: Employee-Related Practices significantly influence Sustainable Behavioural Outcomes.

2. 5. IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON SUSTAINABLE BEHAVIOURAL OUTCOMES

Corporate Social Responsibility (CSR) is widely recognized as influencing the behaviour of various stakeholders. CSR initiatives positively affect consumer perceptions and purchase behaviour (Bhalla, 2020), while also enhancing employee engagement, productivity, and advocacy (Samanta-Rounti, 2013; Khammassi et al., 2024). These effects often extend beyond the organization itself, influencing employees' broader social behaviour and promoting positive social change (Feitosa et al., 2023). Sustainability practices have also been found to reduce risks, improve firm performance, and create sustainable competitive advantage, with green behaviour often acting as a mediating mechanism in these relationships (Abubakar et al., 2022). To fully realize these benefits, firms must operate simultaneously in the social, economic, and environmental spheres and effectively communicate their CSR activities (Bhalla, 2020; Feitosa et al., 2023). Furthermore, CSR can improve customer satisfaction and loyalty by strengthening corporate reputation. Researchers have consistently identified CSR as a significant driver of customer satisfaction, particularly in industries characterized by high customer expectations (Galbreath and Shum, 2009; Saeidi et al., 2015). Consequently, CSR has become central to promoting desirable stakeholder behaviour and strengthening corporate sustainability efforts (Gao and Mattila, 2014).

H₅: CSR Initiatives significantly influence Sustainable Behavioural Outcomes.

2. 6. MEDIATING EFFECT OF GREEN FINANCE ON ECONOMIC INCENTIVES AND SUSTAINABLE BEHAVIOURAL OUTCOMES

Green finance functions as a bridge between financial incentives and sustainable behaviour by channelling resources toward environmentally beneficial activities (A. Kwilinski, 2015). It supports sustainable economic growth, reduces carbon emissions, and stimulates industrial advancement (Zhao and Nasruddin, 2024; Xu and Dong, 2023). By encouraging industrial restructuring, strengthening R&D investment, and rationalizing incentive systems, green finance increases the effectiveness of policies designed to promote sustainable development (Xu and Dong, 2023; Irfan et al., 2022). Policy mechanisms also mediate the relationship between green finance and economic development, thereby ensuring that incentives translate into sustainability outcomes (Xu and Dong, 2023). In addition, green finance helps organizations cope with climate-related challenges and improve performance (Xu and Zhu, 2024). Green financial innovation zones further reinforce its role in promoting green innovation through supportive policy interventions (Irfan et al., 2022). Overall, green finance connects economic motivation with sustainable action and is therefore crucial for global sustainable development (Xu and Zhu, 2024).

H₆: Green Finance mediates the relationship between Economic Incentives and Sustainable Behavioural Outcomes.

2. 7. MEDIATING EFFECT OF GREEN FINANCE ON GOVERNMENTAL REGULATIONS AND SUSTAINABLE BEHAVIOURAL OUTCOMES

Green Finance and Governmental Regulations are essential in promoting green initiatives, reducing CO₂ emissions, and encouraging green innovation (Tariq and Hassan, 2023; Irfan et al., 2022). Corporate-level regulations can enhance green finance through access to external funding, although such effects often vary by geographic region and ownership structure (Xu et al., 2022). Moreover, fintech has been shown to accelerate sustainability by reducing industrial emissions and promoting green purchasing behaviour (Muganyi et al., 2021). Green banking practices, including policies related to employees, operations, and customer engagement, also reflect the environmental orientation that underpins sustainable banking (Irfan et al., 2022).

H₇: Green Finance mediates the relationship between Governmental Regulation and Sustainable Behavioural Outcomes.

2. 8. MEDIATING EFFECT OF GREEN FINANCE ON CUSTOMER-RELATED PRACTICES AND SUSTAINABLE BEHAVIOURAL OUTCOMES

Several studies have examined green finance and green banking as tools for enhancing sustainability and environmental performance. Employee-, operations-, and customer-oriented practices within green banks have been identified as important factors influencing banks' environmental impact and sustainability performance (Kumar et al., 2024; Sohail et al., 2023). Green Finance plays an important mediating role between these practices and sustainability outcomes. In addition, CSR has emerged as an intermediary between green finance, investment, technology, and sustainability in SMEs (Khababa et al., n.d.). Customers' environmental awareness and attitudes are positively related to subsequent green behaviour, while green culture moderates the link between these factors (Afridi et al., 2023). This underlines the importance of expanding the implementation of green finance and banking practices in both the banking sector and SMEs, particularly in relation to customer awareness and organizational culture.

H₈: Green Finance mediates the relationship between Customer-Related Practices and Sustainable Behavioural Outcomes.

2. 9. MEDIATING EFFECT OF GREEN FINANCE ON EMPLOYEE-RELATED PRACTICES AND SUSTAINABLE BEHAVIOURAL OUTCOMES

The role of green banking policies and green finance mechanisms in improving sustainability performance within banks has been well established. Green banking practices, including employee-related strategies, operations-related strategies, and policy-related strategies, have significant effects on green finance and the sustainability performance of banks (Iqbal et al., 2024; Malsha et al., 2020). In addition, employees' green values and knowledge-sharing behaviour mediate the effect of bank policies on green banking activities, as well as the effect of green banking activities on green finance (Iqbal et al., 2024).

H₉: Green Finance mediates the relationship between Employee-Related Practices and Sustainable Behavioural Outcomes.

2. 10. MEDIATING EFFECT OF GREEN FINANCE ON CORPORATE SOCIAL RESPONSIBILITY INITIATIVES AND SUSTAINABLE BEHAVIOURAL OUTCOMES

Recent studies have investigated the relationship between green finance, CSR, and sustainable business performance. Existing evidence suggests that green finance and green corporate

governance improve CSR and sustainability performance among Chinese SMEs (Wang et al., 2023). In the case of Saudi Arabian SMEs, (Khababa et al.n.d.) also argued that green finance, green investment, and technology significantly influence sustainability, with CSR acting as a moderator. Similarly, research conducted in Turkey indicates that green business ethics and green finance positively and significantly affect CSR and sustainable business performance, with CSR playing a mediating role (Alay et al., 2024). In the context of Bangladeshi banks, (Dai et al. 2022) found that green innovation mediates the relationship between CSR and green finance, positively influencing environmental performance. Collectively, these studies highlight the importance of advancing green practices, CSR, and sustainability across different business sectors to improve environmental and sustainability performance.

H_{10} : Green Finance mediates the relationship between CSR Initiatives and Sustainable Behavioural Outcomes.

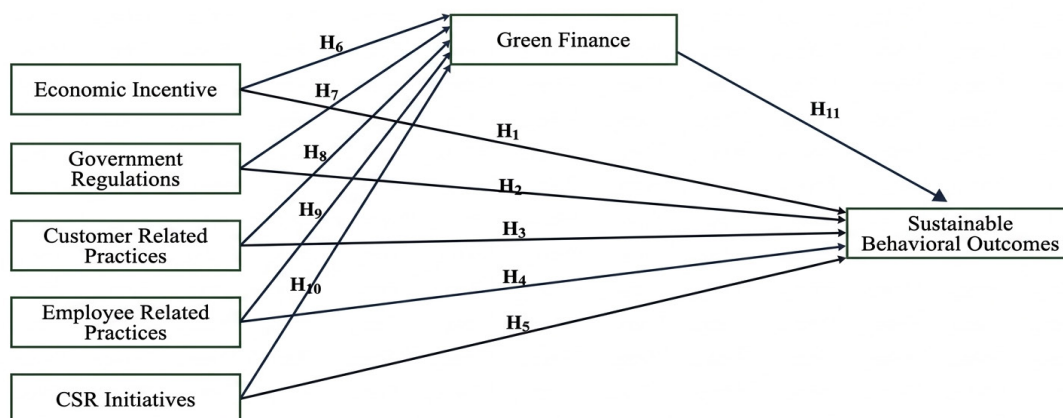
The present study is guided by a set of research questions derived from the existing literature on sustainability and green banking. First, it seeks to identify the factors that influence Sustainable Behavioural Outcomes, as highlighted in prior research on environmental responsibility, financial practices, and consumer behaviour. Second, it examines how Green Banking Practices influence Sustainable Behavioural Outcomes, given the growing role of environmentally responsible banking initiatives in promoting sustainability among stakeholders. Third, it explores whether Green Finance mediates the relationship between Green Banking Practices and Sustainable Behavioural Outcomes, as suggested by both theoretical and empirical literature in sustainability and financial management. These questions provide the basis for reviewing the literature, identifying research gaps, and building the conceptual framework for empirical investigation.

3. OBJECTIVES

- To understand the factors influencing Sustainable Behavioural Outcomes.
- To examine the influence of Green Banking Practices on Sustainable Behavioural Outcomes.
- To analyze the mediating effect of Green Finance between Green Banking Practices and Sustainable Behavioural Outcomes.

4. CONCEPTUAL FRAMEWORK

Figure 1. Conceptual Framework



Source: Author's own work

5. METHODOLOGY

This study employed a cross-sectional and quantitative research design. Self-administered questionnaires were used to measure the constructs, test the hypotheses, and examine the relationships among the variables. The survey instrument was carefully developed, and all items were based on validated measures. The questionnaire began with a cover letter explaining the purpose of the study, along with a consent form assuring respondents of voluntary participation and anonymity.

Section 1 of the questionnaire collected demographic information to provide greater insight into the sample, including gender, age, years of work experience, and income level. Section 2 was designed to capture the study variables, namely Economic Incentives, Government Regulations, Customer-Related Practices, Employee-Related Practices, CSR Initiatives, Green Finance, and Sustainable Behavioural Outcomes. The measurement items for these variables were adapted from validated scales in the existing literature, as detailed in Table 1. All constructs in this study were assessed using a five-point Likert scale ranging from strongly disagree to strongly agree. The five-point Likert scale was selected because of its effectiveness in capturing varying levels of agreement and behavioural tendencies, thereby facilitating a clearer understanding of sustainable behavioural outcomes.

A pilot study was conducted with 30 respondents to assess the reliability and validity of the questionnaire. The Cronbach's alpha coefficient was 0.807, indicating strong internal consistency. Convergent validity was further supported through correlation analysis and the square root of the Average Variance Extracted (AVE).

Sampling Approach and Justification

Data were collected from banking professionals and Generation Z consumers across major metropolitan cities in India using a convenience sampling technique. The use of convenience sampling was primarily driven by practical constraints, including limited access to a comprehensive sampling frame and the difficulty of reaching a geographically dispersed and specialized respondent group.

Methodological Justification

From a methodological perspective, convenience sampling is considered appropriate in studies employing PLS-SEM, particularly when the research objective is to examine relationships among constructs and contribute to theory development rather than to achieve population-level generalization (Hair et al., 2019). Since the present study adopts an exploratory approach, the use of a non-probability sampling technique is justified.

Theoretical Justification of Sample Selection

The selection of banking professionals and Generation Z respondents is theoretically grounded, as these groups represent the supply-side and demand-side perspectives of green finance adoption. Banking professionals provide insights into institutional practices, regulatory frameworks, and financial decision-making processes, while Generation Z represents a digitally active and environmentally conscious consumer segment that is likely to drive the future adoption of green financial products. This dual perspective strengthens the conceptual relevance of the study.

Limitations and Scientific Rigor

Although convenience sampling may limit the generalizability of the findings, this limitation is explicitly acknowledged. Nevertheless, the relatively large sample size ($n = 387$) enhances statis-

tical power and improves the robustness of the analysis. In addition, the use of validated measurement scales, pilot testing, and PLS-SEM contributes to the methodological rigor and reliability of the findings. The data analysis involved both descriptive and inferential statistical techniques.

Table 1. Measurement Scale of the study

Construct	No. of Items	Sources	Variable
Economic Incentive	EI1 EI2 EI3 EI4 EI5	Piñeiro et al. (2020); Schwartz et al. (2019)	Exogenous Variable
Employee Related Practices	ERP1 ERP2 ERP3 ERP4	Kumar, J., Rani, G., Rani, M., & Rani, V. (2024)	Exogenous Variable
Customer Related Practices	CRP1 CRP2	Kumar, J., Rani, G., Rani, M., & Rani, V. (2024)	Exogenous Variable
Government Regulations	GR1 GR2 GR3 GR4	Jain, A., Yadav, P., & Kochhar, K. (2024)	Exogenous Variable
CSR Initiatives	CSR1 CSR2 CSR3 CSR4 CSR5	Bhalla (2020); Feitosa et al. (2023)	Exogenous Variable
Green Finance	GF1 GF2 GF3 GF4 GF5	Kumar, J., Rani, G., Rani, M., & Rani, V. (2024)	Mediating variable
Sustainable Behavioral Outcomes	SBO1 SBO2 SBO3	Masocha (2018); Datta (2024)	Endogenous Variable

Source: Author's own work

6. RESULTS

The data collected for this study were analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM). In line with the guidelines of (Hair et al. 2019), the analysis was conducted in two stages: evaluation of the measurement model and assessment of the structural model. The measurement model was evaluated in terms of indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. Subsequently, the structural model was assessed using path coefficients, the coefficient of determination (R^2), and collinearity diagnostics to examine the relationships among the constructs and test the proposed hypotheses.

Table 2. Demographic profile of the respondents

Classification	Category	Frequency	Percent
Gender	Male	230	59.4
	Female	157	40.6
	Total	387	100.0
Age	18-30	156	40.3
	30-45	76	19.6
	45-60	78	20.2
	Above 60	77	19.9
	Total	387	100.0
Work Experience	0-5 years	121	31.3
	5-10 years	64	16.5
	10-15 years	65	16.8
	15-20 years	81	20.9
	More than 20 years	56	14.5
	Total	387	100.0
Income level	0-3 LPA	124	32.0
	3-5 LPA	65	16.8
	5-8 LPA	68	17.6
	8-15 LPA	66	17.1
	>15 LPA	64	16.5
	Total	387	100.0

Source: Author's own work

The highest response rate was recorded among individuals aged 18–30 years, who accounted for 40.3% of the sample. This was followed by respondents aged 45–60 years (20.2%), 30–45 years (19.6%), and those above 60 years (19.9%). In terms of gender distribution, male participants represented 59.4% of the respondents, while female participants accounted for 40.6%.

About work experience, the largest proportion of respondents had 0–5 years of experience (31.3%), followed by those with 15–20 years (20.9%) and 10–15 years (16.8%). Respondents with 5-10 years of experience constituted 16.5%, while those with more than 20 years accounted for 14.5% of the total sample.

The distribution of respondents by income level was relatively balanced. The largest group, 32.0%, reported an annual income below ₹3,00,000. This was followed by 17.6% earning between ₹5,00,000 and ₹8,00,000, 17.1% earning between ₹8,00,000 and ₹15,00,000, and 16.8% earning between ₹3,00,000 and ₹5,00,000. Finally, 16.5% of respondents reported an annual income of more than ₹15,00,000.

6. 1. DESCRIPTIVE STATISTICS

Descriptive statistics were computed to assess the central tendency and dispersion of the measurement items included in the study. The mean and standard deviation values provide an overview of respondents' perceptions of economic incentives, government regulations, customer-related practices, employee-related practices, corporate social responsibility initiatives, and green finance. Table 3 presents the descriptive statistics for these measurement items.

Table 3. Descriptive Statistics

Constructs	Items	Factor Load- ing	Mean	Std. Devia- tion
Economic Incentive	EI 1	0.671	3.18	1.383
	EI 2	0.980	3.31	1.344
	EI 3	0.963	3.09	1.345
	EI 4	0.627	3.28	1.331
	EI 5	0.608	3.23	1.343
Employee Related Practices	ERP 1	0.768	3.14	1.311
	ERP 2	0.768	3.19	1.386
	ERP 3	0.773	3.21	1.332
	ERP 4	0.701	3.14	1.3
Customer Related Practices	CRP 1	0.795	3.33	1.363
	CRP 2	0.975	3.18	1.321
	CRP 3	0.671	3.01	1.285
Government Regulation	GR 1	0.770	3.28	1.373
	GR 2	0.762	3.3	1.369
	GR 3	0.730	3.32	1.368
	GR 4	0.839	3.2	1.381
Corporate Social Responsibility	CSR 1	0.760	3.24	1.358
	CSR 2	0.760	3.31	1.398
	CSR 3	0.768	3.3	1.355
	CSR 4	0.783	3.29	1.343
	CSR 5	0.803	3.3	1.34
Green Finance	GF 1	0.821	3.26	1.299
	GF 2	0.767	3.16	1.356
	GF 3	0.742	3.19	1.305
	GF 4	0.902	3.28	1.335
	GF 5	0.794	3.21	1.324

Source: Author's own work

6. 2. MEASUREMENT MODEL ASSESSMENT

The measurement model was assessed to evaluate the reliability and validity of the constructs used in the study. Following the guidelines of (Hair et al. 2019), indicator reliability, internal consistency reliability, convergent validity, and discriminant validity were examined. These assessments ensure that the measurement items adequately represent their respective constructs before the structural relationships among variables are evaluated.

6. 2. 1. CONSTRUCT RELIABILITY

The data were analysed using SPSS software. Internal consistency was first assessed using Cronbach's alpha (Bonett & Wright, 2014). The overall Cronbach's alpha value for the constructs was 0.735, indicating good internal consistency among the items in the dataset. A value between 0.70 and 0.80 is generally considered acceptable for academic and professional research.

In addition, the normality of the data was examined. Since the p-values were below 0.05,

the results indicate that the data did not follow a normal distribution. Therefore, parametric tests, which assume normality, were not appropriate, and non-parametric tests were considered more suitable for further analysis.

6. 2. 2. INDICATOR RELIABILITY

Indicator reliability was assessed by examining the outer loadings of all measurement items. As recommended by (Hair et al. 2019), a loading of 0.70 or above is considered ideal, while values between 0.60 and 0.70 may still be acceptable in exploratory research. The results show that most indicators exhibited strong loadings above 0.70, confirming that the items adequately represent their respective constructs.

A few indicators, namely EI1 (0.610), EI4 (0.631), EI5 (0.670), and CRP3 (0.631), showed loadings slightly below the recommended threshold. However, these items were retained because their values exceeded the minimum acceptable level of 0.60 and did not negatively affect the Composite Reliability (CR) or Average Variance Extracted (AVE) of their respective constructs.

Overall, the outer loading results confirm satisfactory indicator reliability and support the construct validity of the measurement model. The potential removal of these indicators was also tested, but it did not lead to any meaningful improvement in CR or AVE. Therefore, they were retained in order to preserve content validity.

6. 2. 3. INTERNAL CONSISTENCY RELIABILITY

Internal consistency reliability was further assessed using Cronbach's alpha and Composite Reliability (CR). For most constructs, Cronbach's alpha values exceeded the recommended threshold of 0.70, indicating acceptable reliability. Although the values for Economic Incentives (0.638) and Customer-Related Practices (0.649) were slightly below this threshold, such values are still considered acceptable in exploratory research, where coefficients between 0.60 and 0.70 may be tolerated (Hair et al., 2019; Nunnally & Bernstein, 1994).

Moreover, the CR values for these construct exceeded 0.70, confirming satisfactory internal consistency. Composite Reliability is often regarded as a more robust measure than Cronbach's alpha in structural equation modelling because it does not assume equal indicator loadings across items (Fornell & Larcker, 1981).

6. 2. 4. CONVERGENT VALIDITY

Convergent validity was assessed using Average Variance Extracted (AVE). According to (Hair et al., 2019), AVE values above 0.50 indicates that a construct explains more than half of the variance of its indicators. In this study, all constructs reported AVE values equal to or greater than 0.50, thereby supporting adequate convergent validity.

To further assess the reliability and convergent validity of the measurement model, Cronbach's alpha, Composite Reliability (CR), rho_A, and AVE were examined. Following the recommendations of (Hair et al. 2019), CR values above 0.70 and AVE values above 0.50 indicate acceptable reliability and convergent validity. The results demonstrate that all constructs met these recommended thresholds. The reliability and convergent validity results are presented in Table 4.

Table 4. Reliability Analysis

Construct	Cronbach's Alpha	rho_a	Composite Reliability	AVE
Economic Incentives (EI)	0.638	0.795	0.803	0.681
Government Regulations (GR)	0.792	0.859	0.858	0.602
Customer Related Practices (CRP)	0.649	0.789	0.815	0.695
Employee Related Practices (ERP)	0.774	0.799	0.852	0.587
CSR Initiatives (CSR)	0.827	0.846	0.877	0.588
Green Finance (GF)	0.848	0.866	0.89	0.617
Sustainable Behavioural Outcomes (SBO)	0.743	0.775	0.85	0.654

Source: Author's own work

6. 2. 5. DISCRIMINANT VALIDITY

The assessment of Discriminant Validity was done using the Heterotrait-Monotrait ratio (HTMT) of correlations. According to [Hair et al. \(2019\)](#), if a construct's HTMT is less than the threshold of 0.85, then discriminant validity is considered to be sufficient. All constructs had HTMT values less than 0.85; therefore, it is safe to conclude that constructs have different properties from each other. Therefore, the measurement model achieved satisfactory Discriminant Validity.

Table 5. Discriminant validity

Constructs	EI	GR	CRP	ERP	CSR	GF
EI						
GR	0.118					
CRP	0.083	0.106				
ERP	0.086	0.068	0.096			
CSR	0.04	0.046	0.059	0.051		
GF	0.141	0.084	0.086	0.076	0.123	

Source: Author's own work

6. 3. STRUCTURAL MODEL ASSESSMENT

The structural model was assessed to examine the hypothesized relationships among the constructs using PLS-SEM. The evaluation involved analysing path coefficients, *t*-statistics, and *p*-values obtained through bootstrapping to determine the significance and strength of the proposed relationships. In addition, collinearity diagnostics and the coefficient of determination (R^2) were examined to evaluate the model's predictive accuracy and robustness.

6. 3. 1. COLLINEARITY ASSESSMENT

Collinearity was assessed using Variance Inflation Factor (VIF) values. Since the VIF values for all variables were below the critical threshold of 5, collinearity was not considered a concern in this study.

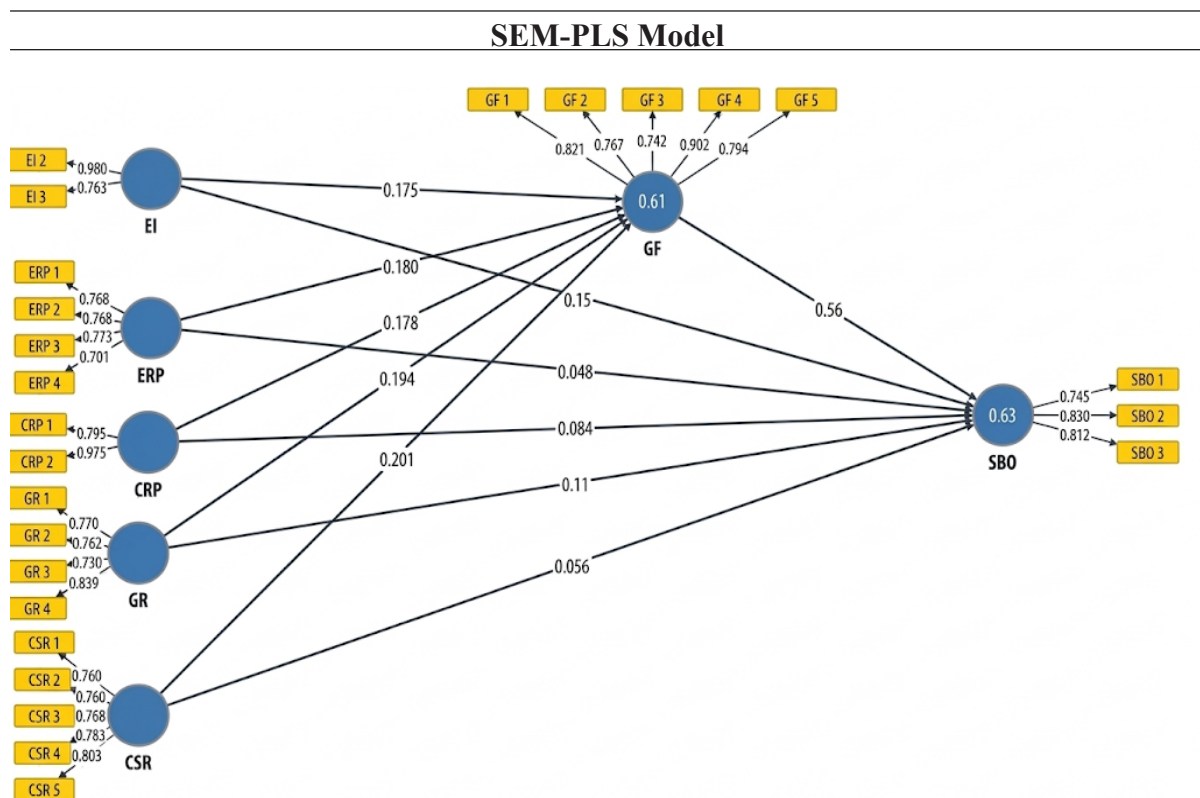
6.3.2. PATH COEFFICIENTS

Path coefficients were examined to determine the strength and direction of the relationships between the constructs. Their significance was assessed through bootstrapping, and relationships with p -values below 0.05 were considered statistically significant.

6.3.3. 6.3.3 COMMON METHOD BIAS

Common method bias was assessed using VIF values. Since all VIF values were below 1.8, common method bias was not considered a concern in this study.

Figure 2. Structural Model



Source: SmartPLS 4

It can be concluded from the PLS-SEM analysis that both the measurement model and the structural model demonstrate adequate reliability and validity. Overall, the model exhibits satisfactory predictive power and provides statistically significant support for hypothesis testing. These results confirm that the proposed model has acceptable reliability, validity, and predictive capability.

6.3.4. PATH COEFFICIENTS AND HYPOTHESIS TESTING

The structural relationships between the independent variables and Sustainable Behavioural Outcomes were examined using the bootstrapping procedure in PLS-SEM. Path coefficients, t -statistics, and p -values were analysed to determine the significance of the hypothesized relationships. The results of the direct effects analysis are presented in Table 6.

Table 6. Direct Effect between Green Banking Practices and Sustainable Behavioral Outcomes

Hypothesis	Relationship	Original Sample (O)	Sample Mean (M)	Std. Deviation	T Statistics	P Value	Result
H1	EI → SBO	0.15	0.158	0.027	3.284	0.000	Supported
H2	GR → SBO	0.11	0.072	0.02	3.14	0.000	Supported
H3	CRP → SBO	0.084	0.083	0.023	3.76	0.000	Supported
H4	ERP → SBO	0.048	0.052	0.018	2.14	0.031	Supported
H5	CSR → SBO	0.056	0.059	0.023	2.424	0.015	Supported

Source: Authors' own work

Table 6 presents the bootstrapping results for the direct effects of the independent variables on Sustainable Behavioural Outcomes (SBO). The findings indicate that Economic Incentives (EI) have a positive and statistically significant effect on Sustainable Behavioural Outcomes ($\beta = 0.15$, $t = 3.284$, $p < 0.05$), thereby supporting H1. Government Regulations (GR) also show a positive and significant relationship with Sustainable Behavioural Outcomes ($\beta = 0.11$, $t = 3.14$, $p < 0.05$), confirming H2.

Similarly, Customer-Related Practices (CRP) positively and significantly influence Sustainable Behavioural Outcomes ($\beta = 0.084$, $t = 3.76$, $p < 0.05$), supporting H3. Employee-Related Practices also demonstrate a positive and significant effect on Sustainable Behavioural Outcomes ($\beta = 0.048$, $t = 2.14$, $p < 0.05$), thus supporting H4. In addition, Corporate Social Responsibility (CSR) was found to have a positive and significant relationship with Sustainable Behavioural Outcomes ($\beta = 0.056$, $t = 2.424$, $p < 0.05$), providing support for the corresponding hypothesis.

Overall, these results suggest that green banking practices, reflected through institutional and organizational dimensions, significantly influence sustainable behavioural outcomes.

6.3.5. STRUCTURAL MODEL RESULTS

The structural model was further analysed to examine the relationships among the independent variables, the mediating variable, and the dependent variable. Bootstrapping results were used to assess the significance of these relationships. The path coefficients presented in Table 7 demonstrate the influence of green banking practices on both Green Finance and Sustainable Behavioural Outcomes.

Table 7. SEM Results

Hypothesis	Original Sample (β)	Sample Mean (M)	Std. Deviation	T Statistics	P Values	Result
EI $\rightarrow$ SBO	0.152	0.158	0.027	3.284	0.000	Supported
EI $\rightarrow$ GF	0.175	0.173	0.047	3.723	0.003	Supported
GR $\rightarrow$ SBO	0.112	0.072	0.021	3.141	0.000	Supported
GR $\rightarrow$ GF	0.181	0.178	0.046	3.913	0.001	Supported
CRP $\rightarrow$ SBO	0.084	0.083	0.023	3.76	0.000	Supported
CRP $\rightarrow$ GF	0.178	0.176	0.052	3.423	0.001	Supported
ERP $\rightarrow$ SBO	0.048	0.052	0.018	2.141	0.031	Supported
ERP $\rightarrow$ GF	0.194	0.192	0.044	4.409	0.001	Supported
CSR $\rightarrow$ SBO	0.056	0.059	0.023	2.424	0.015	Supported
CSR $\rightarrow$ GF	0.201	0.198	0.048	4.187	0.001	Supported
GF $>$ SBO	0.167	0.165	0.042	3.976	0.002	Supported

Source: Authors' own work

The Structural Equation Model results presented in Table 7 indicate that all hypothesized relationships are statistically significant at the 5% level ($\alpha = 0.05$), demonstrating positive associations among the independent variables, the mediating variable (Green Finance), and the dependent variable (Sustainable Behavioural Outcomes). Specifically, Economic Incentives have a positive and significant effect on Sustainable Behavioural Outcomes ($\beta = 0.152$, $t = 3.284$, $p < 0.05$) as well as on Green Finance ($\beta = 0.175$, $t = 3.723$, $p < 0.05$), suggesting that financial incentives play an important role in encouraging environmentally responsible behaviour and facilitating the adoption of green financial practices.

Government Regulations also show a statistically significant positive impact on Sustainable Behavioural Outcomes ($\beta = 0.112$, $t = 3.141$, $p < 0.05$) and Green Finance ($\beta = 0.181$, $t = 3.913$, $p < 0.05$), indicating that regulatory frameworks and policy interventions are essential for promoting sustainability within the banking sector. Similarly, Customer-Related Practices demonstrate a positive and significant influence on Sustainable Behavioural Outcomes ($\beta = 0.084$, $t = 3.760$, $p < 0.05$) and Green Finance ($\beta = 0.178$, $t = 3.423$, $p < 0.05$), highlighting the importance of customer awareness, engagement, and participation in driving the adoption of green finance. Furthermore, Employee-Related Practices significantly influence Sustainable Behavioural Outcomes ($\beta = 0.048$, $t = 2.141$, $p < 0.05$) and Green Finance ($\beta = 0.194$, $t = 4.409$, $p < 0.05$), emphasizing the role of internal organizational practices, employee engagement, and green human resource management in enhancing sustainability outcomes. Corporate Social Responsibility (CSR) initiatives also demonstrate a positive and significant effect on Sustainable Behavioural Outcomes ($\beta = 0.056$, $t = 2.424$, $p < 0.05$) and Green Finance ($\beta = 0.201$, $t = 4.187$, $p < 0.05$), suggesting that CSR activities strengthen sustainable financial practices and improve stakeholder engagement.

In addition, Green Finance itself has a significant positive impact on Sustainable Behavioural Outcomes ($\beta = 0.167$, $t = 3.976$, $p < 0.05$), thereby confirming its role as a mediating construct in the model. The significant relationships between the independent variables and Green Finance, together with the significant effect of Green Finance on Sustainable Behavioural

Outcomes, provide strong support for the mediating role of Green Finance in the relationship between green banking practices and sustainability outcomes.

Overall, the findings indicate that green banking practices influence Sustainable Behavioural Outcomes both directly and indirectly through Green Finance, thereby reinforcing the importance of integrating financial mechanisms with institutional, organizational, and behavioural factors to achieve long-term sustainability in the banking sector.

The coefficient of determination (R^2) was used to assess the explanatory power of the structural model. The R^2 value for Sustainable Behavioural Outcomes (SBO) was 0.63, indicating that 63% of the variance in Sustainable Behavioural Outcomes is explained by the independent variables in the model. Similarly, the R^2 value for Green Finance (GF) was 0.61, suggesting that 61% of the variance in Green Finance is explained by its predictor variables. According to (Hair et al. 2019), R^2 values of 0.25, 0.50, and 0.75 may be described as weak, moderate, and substantial, respectively. Therefore, the R^2 values obtained in this study indicate moderate to substantial explanatory power, demonstrating that the model has strong predictive capability in explaining both Green Finance and Sustainable Behavioural Outcomes.

7. DISCUSSION

The findings of this study provide important insights into the role of Green Finance as a mediating mechanism between green banking practices and Sustainable Behavioural Outcomes. The results indicate that Economic Incentives, Government Regulations, Customer-Related Practices, Employee-Related Practices, and CSR initiatives all significantly influence Sustainable Behavioural Outcomes, both directly and indirectly through Green Finance.

Consistent with prior studies (Kumar et al., 2024; Irfan et al., 2022), the results confirm that institutional and organizational factors play a crucial role in driving sustainability outcomes. However, this study extends the existing literature by demonstrating that the impact of these factors is significantly strengthened when mediated through Green Finance. This suggests that financial mechanisms are not merely supportive tools, but critical enablers that translate sustainability intentions into actual behavioural outcomes.

Interestingly, although Economic Incentives were found to have a significant effect on Sustainable Behavioural Outcomes, their impact was relatively moderate compared with other factors such as Employee-Related Practices and CSR initiatives. This finding contrasts with earlier studies (Piñeiro et al., 2020), which emphasized financial incentives as the primary driver of sustainable behaviour. The present study suggests that financial incentives alone may not be sufficient unless they are supported by organizational commitment and effective financial intermediation through Green Finance.

Government Regulations were also found to significantly influence both Green Finance and Sustainable Behavioural Outcomes, supporting the findings of recent studies (Tariq & Hassan, 2023). However, the results indicate that regulatory influence becomes more effective when integrated with financial instruments, reinforcing the argument that policy frameworks must be complemented by accessible and well-structured green financial products.

The strong influence of Employee-Related Practices highlights the importance of internal organizational mechanisms in promoting sustainability. This finding aligns with recent research (Iqbal et al., 2024), which emphasizes the role of green human resource management in enhancing environmental performance. The results suggest that employees act as key agents in translating sustainability policies into actionable outcomes, thereby strengthening the overall impact of green banking practices.

Furthermore, CSR initiatives were found to significantly contribute to both Green Finance

and Sustainable Behavioural Outcomes, supporting prior research (Wang et al., 2023). This indicates that organizations that integrate CSR with financial sustainability strategies are more likely to achieve long-term behavioural change among stakeholders.

Most importantly, the study confirms the mediating role of Green Finance, demonstrating that it serves as a crucial link between green banking practices and Sustainable Behavioural Outcomes. This finding contributes to the theoretical integration of Institutional Theory and the Theory of Planned Behavior by showing how institutional pressures and behavioural intentions interact through financial mechanisms.

From a theoretical perspective, this study contributes to the literature by establishing Green Finance as a central mediating construct that connects macro-level institutional drivers with micro-level behavioural outcomes. It extends existing frameworks by integrating financial intermediation into sustainability models, thereby providing a more comprehensive understanding of how green banking practices influence behaviour.

From a practical perspective, the findings suggest that policymakers and financial institutions should focus on strengthening green financial infrastructure rather than relying solely on awareness campaigns or regulatory enforcement. Financial institutions should design accessible green financial products, while organizations should align CSR and employee engagement strategies with sustainability goals. Policymakers should also ensure that regulatory frameworks are supported by financial incentives and technological innovations to enhance adoption.

Overall, the study highlights that Sustainable Behavioural Outcomes cannot be achieved through isolated efforts. Instead, a coordinated approach involving financial mechanisms, institutional support, and organizational practices is essential to drive meaningful and long-term sustainability transitions in the banking sector.

8. MANAGERIAL IMPLICATIONS

This study outlines several important steps that governments, financial institutions, and companies should take to promote Green Finance and sustainability. Financial institutions can support this transition by offering affordable financial products that stimulate demand for green loans and green bonds among consumers. Policymakers can further encourage this trend by providing tax relief, reduced interest rates, and stronger regulatory frameworks that support green financial programmes.

There is also a clear need to increase awareness among both employees and customers. Banks can organize seminars, workshops, and targeted digital marketing campaigns focused on Green Finance. Employees who are better informed about sustainable banking practices will be in a stronger position to advise customers on adopting environmentally friendly financial options.

In addition, firms should align their corporate social responsibility strategies with Green Finance by investing in clean energy projects and publicly disclosing their sustainability performance. The study emphasizes the importance of moving beyond general awareness campaigns toward action-oriented strategies that generate genuine interest in Green Finance.

Digital communication plays a major role in the dissemination of information, but financial institutions should also incorporate experiential learning approaches, such as interactive workshops on sustainable investing, real-world case studies of successful green finance programmes, and customer referral initiatives that highlight the benefits of environmentally friendly banking. Policymakers can further encourage adoption by introducing additional incentives, such as tax relief, preferential loan rates, and regulatory measures that encourage green investment.

Aligning corporate sustainability initiatives with transparent CSR activities and Fintech innovations can increase customer confidence and make Green Finance more accessible to con-

sumers. Through an integrated policy approach, practical market interventions, and innovative technologies, financial institutions and regulators can bridge the awareness–action gap and help build a robust and resilient sustainable financial ecosystem.

9. CONCLUSION

This study provides valuable insights into the factors influencing the adoption of Green Finance and Sustainable Behavioural Outcomes. It highlights the significance of Economic Incentives, Government Regulations, Customer-Related Practices, Employee-Related Practices, and CSR initiatives in shaping Sustainable Behavioural Outcomes. The findings confirm that Green Finance acts as a crucial mediator, reinforcing the idea that financial accessibility and structured sustainability initiatives can generate meaningful change.

The study emphasizes the need for action-oriented strategies that actively engage consumers in green financial practices. Banks, policymakers, and businesses must develop targeted strategies that address financial barriers, enhance consumer trust, and integrate technology-driven solutions to make Green Finance more accessible.

By identifying the key drivers of Sustainable Behavioural Outcomes, this research contributes to the broader literature on Green Finance and offers practical recommendations for stakeholders seeking to design policies and initiatives that foster a long-term commitment to sustainability. Overall, the study advances research on sustainable finance by focusing on the psychological, financial, and regulatory factors influencing the adoption of Green Finance. Moreover, it provides actionable insights for financial institutions, policymakers, and corporate leaders to develop more effective and impactful sustainability strategies for a greener future.

10. LIMITATIONS AND SCOPE FOR FUTURE STUDY

Although this research provides valuable insight into the relationship between Green Finance, banking practices, and Sustainable Behavioural Outcomes, it has several limitations that should be addressed in future studies. One important limitation is the reliance on cross-sectional data, which captures consumer behaviour at a single point in time and does not allow for the tracking of changes in perceptions and financial decisions over time. A longitudinal approach would provide a deeper understanding of how economic fluctuations, regulatory developments, and technological advances influence Green Finance adoption.

Future research should also pay greater attention to technological factors, particularly the role of Fintech in promoting Green Finance adoption. The impact of AI-driven financial tools and blockchain-based sustainable investment mechanisms could provide valuable insights into how technology can improve green financial decision-making.

In addition, examining the influence of corporate sustainability certifications and green performance ratings on consumer trust and investment behaviour could help institutions refine their strategies. By addressing these limitations, future research can offer a more comprehensive understanding of the factors influencing Green Finance adoption and assist banks, policymakers, and businesses in developing more effective sustainable financial practices.

Declaration

Conflict of Interest

The authors declare that there are no conflicts of interest regarding the publication of this manuscript. We confirm that the research was conducted with the utmost integrity and without any undue influence.

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