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A STUDY ON EFFECT OF GREEN ACCOUNTING IN BANKING
SECTOR

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Keywords

Green Accounting,
Banking Sector,
One Sample t-test.

Abstract

Green accounting in banking industry refers to the process of introducing the environment costs, environmental risks, and information related to sustainability into financial and managerial accounting in a systematic manner. It allows banks to make their activities, lending activities and strategic plans consistent with environmental responsibility and long term sustainability objectives. This study is inspired by the growing pressure on banks to strike the right balance between the financial performance and the environmental accountability within a rapidly changing regulatory and sustainability environment. The need to empirically know the role of green accounting in terms of sustainable banking practices and long-term organizational effectiveness is increasing. The purpose of conducting this research is to evaluate the effect of green accounting in Banking Sector. The test used in the current study in One Sample t-test using R Studios. The analysis found that Reduces operational costs, improves corporate reputation, ensures regulatory compliance, Increases investor confidence, enhances risk management, promotes green loans and financing, raises employee awareness, Lowers carbon footprint, supports better decision-making, Boosts customer loyalty, aligns with sustainability goals, increases long-term profitability, and Encourages eco-friendly innovation are significant Effect of green accounting in Banking sector.



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1. INTRODUCTION

The increased focus on the idea of sustainable development has greatly revamped the role of the banking sector, making it a key intermediary in the process of directing economic operations towards the economically responsible outcomes. Since financial institutions drive investment flows, distribute credit and affect corporate actions, their accounting systems are progressively likely to demonstrate environmental awareness in addition to the financial performance. Green accounting, a strategy that incorporates environmental costs, benefits, and risks within traditional accounting systems, has become a strategic instrument that would allow banks to make operational decisions in connection with the sustainability goal and remain transparent and accountable (Sebastiao et al., 2024). Green accounting in the banking setting goes beyond environmental disclosure and involves environmental management accounting practices that can also be used in helping internal planning, assessing performance, and risk assessment. This integration is especially applicable because banks are finding increasing pressure on the part of regulators, investors as well as society to prove credible environmental responsibility. Financial risks associated with climate change, carbon risk of loan book, and environmental compliance expenses are moving beyond being peripheral considerations, they are increasingly influencing the asset quality, future profitability, and institutional resiliency. Therefore, integrating environmental information into accounting systems can enable banks to incur ecological externalities and reinforce the governance and strategic decision-making processes (Swalih et al., 2024).

Although this relevance is on the rise, green accounting when used in the banking sector is conceptually complex and operationally challenging. The environmental effects are intangible, measurement frameworks are not standardized and integration of the sustainability measures with financial accounting systems are weak which creates huge gaps in implementation. In addition, even as sustainability reporting structures undergo changes, they tend to focus on external reporting as opposed to internal accounting systems to direct managerial behavior. This lack of contact highlights why a more in-depth analysis of how the principles of green accounting can be systematically established within the banking processes instead of working as an additional reporting process is necessary (Sebastiao et al., 2024). A comprehensive study of green accounting in the banking industry is thus necessary due to a number of reasons. To begin with, the banks have a central role in funding the shift towards low-carbon and environmentally friendly economies and proper accounting systems are required to assess the environmental impact of financial products and lending choices. Second, green accounting can help in the improved risk management as it helps the banks to detect, quantify and track the environmental risks which can be converted into financial burdens. Third, as the demands of sustainable finance and stakeholders remain on the rise, the banks need to have sound accounting mechanisms that guarantee the credibility, consistency, and comparability of the environmental information (Nguyen, 2025).

Moreover, the green accounting also has an implication on the efficiency of operations and strategic competitiveness in the banking sector. Using a structured monitoring of environmental



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costs associated with energy consumption, resource consumption as well as compliance, the banks will be able to recognize the opportunity to increase their efficiency and to save on costs, as well as to affirm their sustainability pledges. The scientific study of these dynamics helps in not only the academic understanding but also policy development. Therefore, the study of the impact of green accounting in the banking industry is not merely timely but also needed to embrace the idea of sustainable financial systems that could balance the economic performance, as well as environmental stewardship (Jain and Sharma, 2023).

Table No: 1 Green Accounting Practices and Indian Banks

Green Accounting Practice	Description	Indian Banks
Sustainability and ESG Reporting	Banks systematically disclose environmental impacts, climate exposure, and resource consumption through sustainability or ESG reports to support transparent environmental accounting (Sebastião et al., 2024).	State Bank of India publishes annual sustainability reports disclosing energy use, emissions, and environmental initiatives across branches.
Environmental Risk Assessment	Environmental and climate-related risks are integrated into credit appraisal and internal risk frameworks to evaluate the environmental viability of lending decisions (Swalih et al., 2024).	HDFC Bank incorporates environmental and social risk screening for large corporate and infrastructure lending.
Green Loans and Sustainable Financing	Banks provide dedicated financing for renewable energy, clean technology, and environmentally sustainable projects as part of green finance initiatives (Jain & Sharma, 2023).	Axis Bank offers financing for solar, wind, and energy-efficient infrastructure projects under green lending programs.
Resource and Energy Consumption Accounting	Banks track internal consumption of electricity, water, fuel, and emissions to measure environmental costs and improve operational efficiency (Swalih et al., 2024).	ICICI Bank monitors branch-level energy consumption and implements energy-efficient infrastructure in offices and data centers.
Digital and Paperless Banking	Digital banking platforms and paperless processes are adopted to reduce paper usage and minimize the environmental footprint of	Kotak Mahindra Bank promotes e-statements, digital onboarding, and online transactions to reduce paper



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	banking operations (Jain & Sharma, 2023).	dependency.
ESG Governance and Monitoring Mechanisms	Dedicated ESG or sustainability committees oversee environmental accounting practices, compliance, and reporting quality within banks (Sebastião et al., 2024).	Yes Bank has a formal ESG governance structure to monitor sustainability performance and environmental disclosures.

2. REVIEW OF LITERATURE

Arif, A., Susilowibowo, J., et al. (2025) investigated the application of green accounting policies in the financial statements of the commercial banks of Indonesia and the effect of green accounting policies on the financial performance of the company. the research will provide to some extent the means through which the banks can improve the utilization of green accounting policies. The research also opens opportunities of carrying out additional research on the long-term impact of green accounting on the financial sustainability and stability.

Limba, FB., Sitanala, TF., et al. (2025) stated that the primary goal of the study is to investigate how Green Accounting and Green Banking influence the Value of the Company, where Good Corporate Governance (GCG) is a moderator on banking corporations with operations in the Indonesia Stock Exchange (IDX) between the 2021-2023. The results show that the beneficial and significant effect of Green Accounting on Company Value is present. Green Banking conversely, has a positive and non-significant impact on the Company Value.

Ridadati, S., Setyowati, R., et al. (2024), investigated how green accounting during the 2022-2023 time can assist the banking companies to be more financially resilient in the time of risk of climate change. The research results have shown that green accounting adoption has a beneficial effect on corporate financial resilience, especially, climate risk mitigation and corporate image.

Islam, S., Islam, MS., et al. (2023) established the success of adoption of green accounting by commercial banks in Bangladesh. According to the findings of the conducted research, there is a possibility that the more prevalent the green accounting practice can be, the better they will perform and the more efficient financial operations within the Bangladeshi banks can become. The results of the research can be utilized in the cause of popularizing green accounting activities in banks to improve their performance and preserve the ecosystem.

Dhar, S. & Chowdhury, MA. (2021) considered the effects of the environmental accounting reporting (EAR) practice on the financial performance of the banking industry in Bangladesh. The empirical test showed that empirical relation between EAR and profit margin (PM) was very strong and positive. EAR on the other hand shows insignificant relationship with ROAE (return on average equity), EPS (earnings per share), and ROAA (return on average assets).

Deb, B., Saha, S., et al. (2020) examined the effects of green accounting practice on the performance of banks. The results indicate that the green investment is highly significant to improve the performance of the banks. The green activity management and the green initiatives are also substantive to influence the bank performance.



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Endiana, I., Dicriyani, N., et al. (2020) focused on the fact that the central objective is to determine how the green accounting, through the adoption of CSMS, can improve the financial performance of the manufacturing companies in Indonesia, a developing country. The research proposes the implications that manufacturing companies in Indonesia can make use of green accounting through earmarking the necessary amounts of money to implement the CSMS in order to improve financial performance.

3. OBJECTIVES OF THE STUDY

1. To evaluate the Effect of green accounting in banking sector.
2. To suggest ways in effectively leveraging green accounting practices to enhance sustainability, operational efficiency, and stakeholder trust.

4. RESEARCH METHODOLOGY

The present study adopted a descriptive research design. Both primary and secondary sources of data were used to ensure a comprehensive understanding of the research problem. Primary data were collected through a structured questionnaire administered to banking professionals. Secondary data were sourced from relevant academic journals and articles. A non-probability purposive sampling technique was employed to select respondents. The final sample consisted of 60 respondents from the banking sector. Sample size adequacy was further supported by the guideline proposed by Faul et al. (2009), which indicates that a minimum sample size of 45 respondents is sufficient for conducting a one-tailed one-sample statistical test. Data analysis was carried out using parametric one-sample statistical tests, using R Studio software. The study has strictly followed established ethical guidelines for data collection and analysis as suggested by Pirani (2024).

➤ Data Analysis and Interpretation:

Table No: 2 Summary of Effect of green accounting in banking sector (One Sample t-test)

Statement	Mean	t-value	p-value	Result
Reduces operational costs.	3.833	21.076	0.000	Significant
Improves corporate reputation.	4.322	20.764	0.000	Significant
Ensures regulatory compliance.	4.452	22.933	0.000	Significant
Increases investor confidence.	4.111	25.051	0.000	Significant
Enhances risk management.	4.221	23.714	0.000	Significant
Promotes green loans and financing.	4.009	21.186	0.000	Significant



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Raises employee awareness.	4.850	27.694	0.000	Significant
Lowers carbon footprint.	4.200	24.588	0.000	Significant
Supports better decision-making.	4.215	27.172	1.000	Significant
Boosts customer loyalty.	4.890	23.891	0.000	Significant
Aligns with sustainability goals.	4.110	22.912	0.000	Significant
Increases long-term profitability.	3.909	25.879	0.000	Significant
Encourages eco-friendly innovation.	4.782	23.122	0.000	Significant

The results indicated that the general performance and sustainability orientation of the banking sector is greatly and positively influenced by green accounting. All the statements have high means (3.833 to 4.890) meaning that there is a high degree of agreement between the respondents on the advantages of green accounting activities. The statistically significant t-values and p-values ($p < 0.05$) proves that these effects are not chance occurrences.

In particular, green accounting is viewed to increase customer loyalty, employee awareness, and environmentally-friendly innovation, which are the reasons why the highest mean scores are the highest, and this approach helps to create a sustainability-based organizational culture. It is also found that green accounting enhances corporate reputation and investor confidence as well as harmonizing banking operation in relation to sustainability objectives thus enhancing stakeholder trust. More so, the respondents accepted the fact that green accounting leads to the reduction of operational expenses and greater risk mitigation, as well as improved decision-making and regulatory adherence, which means that it contributes to efficient and responsible financial management. The favorable impact on green loans and finance, reduction of carbon footprint, and long-term profitability, indicate that green accounting not only aids in the achievement of environmental goals, but also in the long-term performance of the banks in terms of financial aspects. As a whole, the findings assert that green accounting is one of the strategic assets to attain sustainable growth, competitive edge, and responsible banking.

Table No: 3 Hypothesis Testing and Results

Hypothesis			
H₀ : Green accounting has no significant effect on the banking sector.			
H₁ : Green accounting has a significant effect on the banking sector.			
Test	Results	Interpretation	Null/Alternate



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used			
One Sample t-test	As most of the p-values are less than 0.05, Effect of green accounting in Banking sector is high. Thus, H_0 is rejected and H_1 is accepted as $p(\text{value}) < \text{level of significance } 5\%$.	It can be concluded that green accounting practices have a significant positive impact on the banking sector by reducing operational costs, improving corporate reputation, ensuring regulatory compliance, enhancing decision-making, and promoting sustainability, profitability, and eco-friendly innovation.	Alternate accepted

5. CONCLUSION

Their results reveal that the transformative effect of green accounting in developing the performance and the sustainability orientation of the banking industry are positive. The overall positive outcomes of all the dimensions considered are indicative to the fact that green accounting is, in fact, regarded as a powerful managerial and strategic instrument rather than a token environmental initiative. It does not only affect the environmental responsibility but the core banking activities as it promotes rational decision-making, risk management behavior, and alignment with the regulatory provisions. The results also indicate that green accounting contributes to the establishment of trust between the main stakeholder, including customers, employees, and investors, with the enhancement of the long-term transparency, accountability, and value orientation. This perception of improved corporate image, customer loyalty and employee perception is heavy meaning that the green accounting system fosters a sustainable organizational culture among the banks. In addition, its role in driving green innovation and its green lending highlights its capacity to make financial services more environmental in their purpose. The findings further indicate that green accounting assists in operational effectiveness and long-term financial sustainability due to the fact that the environment concept has been included in the business strategy and resources governance. Overall, the results of the research suggest that green accounting is a strategic enabler that helps banks to achieve a trade-off between profitability and environmental protection to improve their competitive edge and, therefore, to stimulate a sustainable economic development. The findings of such researches point towards the need to include the green accounting principles into the normal banking business with the purpose of guaranteeing the sustainable development and the stability of the institutions in the long-term.

6. SUGGESTIONS

- The banks can consider the inclusion of green accounting in the day-to-day managerial and strategic decision-making processes to enhance the sustainability-based governance.
- Banks might further promote the involvement and consciousness of employees by connecting green accounting activities to the inner training and performance systems.



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- The management can consider the idea of growing green lending and financing products backed by green accounting information in order to get financial services in line with the environmental goals.
- Green accounting information can be used by banks to improve on transparency and help them to build stronger relationships with investors and customers.
- Green accounting can be used as a resource in enhancing risk assessment by financial institutions by integrating environmental risks in credit and operational assessment.
- The data of green accounting could help banks to recognize the opportunity of environmentally-friendly innovation and operational efficiency enhancement.
- Such policymakers and regulators can promote the use of green accounting by ensuring that the banking industry uses similar accounting systems regarding the environment.

7. AUTHOR(S) CONTRIBUTION

The writers affirm that they have no connections to, or engagement with, any group or body That provides financial or non-financial assistance for the topics or resources covered in this Manuscript.

8. CONFLICTS OF INTEREST

The authors declared no potential conflicts of interest with respect to the research, authorship, And/or publication of this article.

9. PLAGIARISM POLICY

All authors declare that any kind of violation of plagiarism, copyright and ethical matters will\ Take care by all authors. Journal and editors are not liable for aforesaid matters.

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