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RELATIONSHIP BETWEEN GREEN FINANCING AND FINANCIAL PERFORMANCE
OF COMMERCIAL BANKS IN BANGLADESH**

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DOES COMMERCIAL BANK PRACTICE GREEN FINANCE? A STUDY ON THE RELATIONSHIP BETWEEN GREEN FINANCING AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN BANGLADESH

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ABSTRACT

Literature Review: Green finance (GF) has drawn a lot of attention in recent literature as a result of increased worldwide efforts to mitigate climate change. The Bangladeshi central bank mandates that all commercial banks embrace green banking policy guidelines and make green investments.

Purposes: In order to determine if the adoption of green finance has an effect on financial performance, this study examines the relationship between green financing and the financial performance of commercial banks in Bangladesh.

Methodology: To accomplish the goals, information has been gathered from ten commercial banks' websites, Bangladeshi banks, and annual reports of certain institutions for the years 2016 to 2022. To achieve the goals, the collected data is categorized and organized.

Analysis: Regression, correlation, and profitability ratios are used in data analysis. Ratio analysis is often used to assess and contrast different banks' long-term results. Return on equity and return on total assets are the metrics used to quantify profitability. Total debt divided by total assets is known as the debt ratio. The green financing has been utilized as an independent variable in regression analysis. The writers have employed debt ratio, return on equity, and return on asset as the dependent variable of financial success.

Findings: According to this study, green financing has a negative effect on the debt ratio but a favorable influence on the return on equity and return on total assets. Regression research reveals that there is no statistically significant correlation between Bangladeshi commercial banks' financial performance and green financing. Nonetheless, there is still a high positive link between ROE and ROA, a strong negative correlation between ROA and debt ratio, and a mild negative correlation between ROE and debt ratio. Furthermore, there is little relationship between green finance and debt ratio, ROE, and ROA. It suggests that Bangladeshi commercial banks' returns will rise in tandem with an increase in green finance.

Implications: The highly lucrative listed banks will be encouraged by the study's findings to increase their investments in environmentally friendly operations, which will eventually result in sustainable development in this industry.

Originality: This research article has not been submitted to any other papers or other institutions. It is the writers' original work.



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