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GREEN BANKING AND SUSTAINABILITY – A SYSTEMATIC LITERATURE REVIEW

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KEYWORDS:

Environmental performance, green banking, green finance, regulatory support, and sustainability

ABSTRACT

Green banking has emerged as a strategic move to align financial services with sustainability and long-term economic development. This systematic literature review analyses the impact of green banking practices on sustainable development based on 52 peer-reviewed articles from 2014 to 2025, following the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines. The study brings forth salient themes like green finance, institutional support, bank characteristics, stakeholder involvement, and barriers to adoption. Evidence shows that green banking activities, including green lending, paperless banking, and clean technology investments, not only contribute to environmental performance but also to long-term profitability and customer confidence. Green finance acts as an effective mediator between banking operations and material

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sustainability results. Institutional and regulatory settings, bank size, and strategic readiness play significant roles in the successful operation of green banking. Adoption is nevertheless unbalanced, particularly for developing countries, due to market barriers such as low awareness, policy inconsistency, cost, and perceived complexity. Most of the studies included in this review employ quantitative research methods, primarily regression and structural equation modeling, with limited qualitative results. More context-specific and interdisciplinary research is therefore called for. The review highlights that green banking is not merely a corporate social responsibility program, but also a forward-thinking financial approach aligned with international standards, such as the Paris Agreement and the United Nations Sustainable Development Goals. This convergence, in turn, contributes to the literature within academia and policy through contextual mapping of research gaps and outlining a premise for future studies aimed at mainstreaming sustainability in banking.

JEL Classification: G28, O16, Q01, Q56, Q58

INTRODUCTION

Green banking has slowly emerged as a global standard in promoting socially and environmentally acceptable business practices in the banking sector. It is a paradigm shift in banking operations from sheer profitability to a wider model that also includes environmental degradation and a greener, sustainable future. Within a few decades, green banking has emerged as one of the pillars of sustainable finance. It is not only a question of green or environmental banking, but also one of fostering long-term economic growth and stability. Islam et al. (2020) say that green banking is simply about integrating the concern for the environment into banking decision-making, encouraging the adoption of green practices, and aligning financial services with sustainable development goals.

Green banking promotes a banking culture that accords prime importance to the protection of the environment and sustainable development by taking care of social

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as well as environmental dimensions. It involves a corporate-level dedication to going green in operations, thereby lessening the negative impact on the environment (Islam, 2020). Some of the practices include offering green loans, investing in renewable energy, saving paper, promoting digital transactions, and avoiding financing of environmentally hazardous industries. As environmental consciousness increases globally, sustainable development (SD) has emerged as a widely accepted principle and is now a dominant concept being applied by development practitioners, policymakers, researchers, and environmentalists. Ukaga et al. (2010) quoted that since the early 1990s, particularly following the Earth Summit in 1992, SD has been a significant framework for assuring long-term environmental, cultural, social, and economic prosperity. Rahman and Rahman (2020) also elaborate that sustainable development is a globally accepted model of development because of the intertwinement of its three pillars—economic growth, social inclusion, and environmental sustainability.

Although the notion of green banking varies from scholar to scholar, all agree on its fundamental objectives: to establish an ethical, socially responsive, and environment-friendly banking system. Goyal and Joshi (2011) and Sarker et al. (2020) have described green banking as a form of banking that aligns its operation and decision-making with environmental and social factors. It is a code of practice that encourages banks to make environmentally friendly decisions, thereby rendering banking organizations active partners in sustainable development. The shift from conventional banking to green banking is a reorientation of banking goals—from short-term profit maximization to long-run sustainability. This shift entails the adoption of green credit appraisal mechanisms, financing green businesses, and investing in low-carbon infrastructure.

In the past several years, the potential role of the finance sector in supporting environmental stewardship and sustainable development has been a subject of increasing interest. Green banking practices have been initiated in order to incorporate ESG (Environmental, Social, and Governance) principles in the strategic framework of banks so that they can finance green projects and customers committed to sustainability. They have now become the gateways to environmental sustainability by transforming traditional banking

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operations into instruments that make direct contributions to global development agendas. Green banking also reduces carbon footprints and enables ethical investment, thereby complementing global agreements such as the Paris Agreement and the United Nations' 2030 Agenda for Sustainable Development. As Sun et al. (2020) suggest, green banking not only builds environmental resilience but also customer loyalty and trust, thereby ensuring banks' long-term profitability. Also, compliance related to sustainability has been initiated by regulators and global financial bodies, and green banking is no longer optional but a regulatory necessity in most jurisdictions.

The significance of green banking is particularly applicable to developing countries where the twin goals of financial inclusion and environmental sustainability are intertwined. Green banking has an important part to play in such situations by mobilizing funds to green projects, encouraging green entrepreneurship, and discouraging the financing of polluting industries. Such endeavors redirect the development trajectory of emerging economies. Rahma and Wedari (2024), for instance, confirmed a positive connection between green initiatives and improved bank performance in ASEAN countries. Similarly, Herrador-Alcaide et al. (2023) emphasized that green finance presents a sustainable channel for addressing structural challenges of emerging markets like climate vulnerability and environmental degradation. These findings highlight the growing recognition of green banking as an integral component of national sustainability agendas and financial sector reforms.

Despite the expanding literature on green banking and sustainability, the literature remains disjointed and multidisciplinary, spanning fields such as finance, environmental science, public policy, and development. Much of the existing research focuses on specific issues such as green credit, customer awareness, or regulation, without a synthesized approach. Numerous studies are also found on case-specific evidence, which limits their generalizability. The lack of a shared definition, diverging theoretical underpinnings, and wide range of methodological positions compound the difficulty in synthesizing the current knowledge base. There is no consensus regarding what green banking success is, what its key drivers are, or how its sustainability contribution is to be evaluated. Because

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of the subject's complex nature, there is a need for a systematic and detailed review of the literature to provide clarity and direction to future research and policy.

In anticipation of this need, the current research carries out an SLR of green banking and its contribution to sustainability. The article has four key objectives: first, to delineate and explore main research questions and academic interests in green banking; second, to discuss theoretical and methodological trends in the literature; third, to analyze the contribution of green banking to fostering sustainability in both developed and developing countries; and fourth, to identify gaps in the literature and recommend areas for future research. By addressing these objectives, the review seeks to inform the advancement of green banking as a policy and strategic field and direct future research, regulation, and banking practice.

The review takes a systematic review path by eliciting peer-reviewed papers from the Scopus database, incorporating literature up to June 2025. A systematic review presents a systematic, transparent, and replicable way of the identification, evaluation, and synthesis of relevant research. Snyder (2019). This method reduces selection bias, allows for the identification of dominant research themes, and makes it easy to identify gaps and under-researched areas. In green banking, with its various disciplinary perspectives and analytical frameworks, the systematic review method is especially helpful. It helps policymakers and practitioners make evidence-based choices and academics integrate fragmented research into a coherent body of knowledge.

The timeliness and applicability are what make this review relevant. As banks globally are increasingly engaged in integrating ESG aspects into policy and strategy, the need is growing to know about the development, effectiveness, and limitations of green banking. Sharma et al. (2024) demonstrate that green banking in Indonesia has enhanced long-term stakeholder engagement and improved profitability, validating the perspective that green banking can create both social and economic value. These observations highlight the necessity to adopt an inclusive framework of green banking that serves the interests of all stakeholders, including regulators, investors, customers, and society at large.

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In short, while numerous studies have examined green banking and its interconnection with sustainability, literature lacks a current and comprehensive synthesis that captures the complexity and heterogeneity of the field. This systematic review gives an integrative assessment of how green banking works towards meeting sustainability goals, both discovering successes and limitations in current research. As the banking sector evolves further, green banking will be at the center of a more sustainable and inclusive global economy. By charting existing knowledge, tracing trends in research, and specifying principal gaps, this review educates a more subtle understanding of green banking and lays the groundwork for upcoming academic investigation and practical innovation.

REVIEW OF LITERATURE

Theoretical Review

The green banking and sustainability systematic literature review illustrates the integration of various theoretical frameworks that define the explanation and mechanism for embracing environmentally conscious practices in the banking sector. These theories offer researchers the chance to examine the motivations, diffusion, and impacts of green banking practices. Of specific interest is Stakeholder Theory by Freeman (2010), noting that banks must consider the interests of all stakeholders—customers, employees, regulators, and communities—due to growing demands for ethical and sustainable behavior. Parallel in scope is Triple Bottom Line (TBL) Theory by Elkington (1999), measuring bank performance not just financially but environmentally and socially as well, challenging banks to balance profit, people, and planet.

Institutional Theory by DiMaggio & Powell (1983) examines how external pressures such as regulation and industry norms compel banks towards adopting green policies and ESG disclosures to establish legitimacy. Conversely, the Resource-Based View (RBV) by Barney (1991) offers an internal view with the view that competitiveness is achieved through the cultivation of green capabilities such as sustainable innovations or employees

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who have been trained. Diffusion of Innovation Theory by Rogers (2003) explains how environmental practices and technologies are diffused within institutions depending on their relative advantage and compatibility.

Legitimacy Theory by Suchman (1995) posits that banks adopt green behavior in order to support the values of society and maintain reputation. Lastly, the Environmental Kuznets Curve (EKC) (Grossman & Krueger, 1995) maintains that as the economy grows, banks adopt environmentally conscious behavior in an effort to mitigate environmental degradation, and green banking is utilized as a tool for sustainable economic growth.

Empirical Review

Mehta and Handriana (2024) write about the complex interdependence of corporate social responsibility (CSR) and customer engagement in green banking digitalization. The authors investigate how the interdependence is mediated by perceived environmental value and how the interaction is moderated by customer eco-consciousness. In order to empirically test the conceptual model developed, the research utilizes structural equation modeling (SEM) to collect data from Indonesian banking customers using a quantitative study method. Green digital banking activities initiated by CSR have a significant role in engaging consumers, especially when consumers act responsibly and possess a high perception of environmental value. The study contributes to the body of knowledge in sustainable banking since it demonstrates how digital platforms can augment CSR results and provide more intensive client engagement.

Al-Kubaisi and Khalaf (2023) examine the impact of green banking strategies on banks' profitability, focusing particularly on return on equity (ROE) and return on assets (ROA) as profitability indicators. The researchers apply econometric models to analyze whether adopting green banking boosts or lowers bank profitability based on a sample of commercial banks employing various ecologically sustainable methods. According to the findings, green practices can present costs at the start, but they can enhance long-term

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profitability via enhanced consumer trust, improved operation efficiency, and generating regulatory advantages. The study highlights an important tool for the financial literature since it provides key information on the long-term gains and sacrifices of environmental sustainability among banks.

Zhang et al. (2022) investigate the relationship between green banking activities and banks' environmental performance, considering the mediating role of green finance as a mediator function. The authors examine the effects of different green banking practices, such as green loans and investments, on environmental performance through structural equation modeling and data analysis from empirical data that has been gathered from Chinese banks. According to the research, the positive impact of green banking on environmental performance is supported by the strong mediating function that is played by green financing. The study offers useful new insights on how financial institutions can successfully integrate sustainability into business core plans through investments in environmentally friendly projects and employing environmentally friendly procedures.

Adhikari (2024) explores the perception of green banking practices by Nepalese commercial bank employees and identifies it as a function of operational, employee-, customer-, and policy-related practice. From a study based on 390 employees of three banks, digital banking technologies like online and mobile banking are highly applied and have a positive correlation with green banking. It identifies ignorance among customers as the major hindrance but identifies no discernible difference in attitude by gender. It emphasizes that in order to promote green banking adoption, more policy directives and awareness campaigns are needed. To stakeholders who want to promote sustainable banking through consumer awareness and employee involvement, it offers useful information.

Aslam et al. (2025) explore how sustainable green banking practices influence environmental performance in Pakistani banks. Using PLS-SEM analysis on data from 241 banking professionals, the study finds that environmentally responsible operations, investments, and policies significantly enhance environmental performance. Moreover,

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ecological obsessive passion moderates this relationship, strengthening the positive link between green banking practices and sustainability outcomes. The results emphasize the vital role of green banking in promoting environmental sustainability and the importance of employees' ecological passion in reinforcing sustainable performance within financial institutions.

Li and Khan (2025) investigate how green business strategies (GBSs) influence organizational efficiency, financial performance, and investment decisions among 552 managers and investors of firms listed on the Shenzhen Stock Exchange, China. Using PLS-SEM analysis, the study reveals that GBSs significantly enhance organizational efficiency and financial performance, with organizational efficiency mediating this relationship. Moreover, management control systems moderate the link, amplifying the positive effects of GBSs. The findings highlight that integrating green strategies effectively transforms organizational and financial outcomes, promoting sustainable investment decisions and overall green transformation.

Materials and Methods

A Systematic Literature Review (SLR) methodology is applied in the present research to examine the interrelationship between green banking and sustainability. Scopus database was the only reliable source of the literature due to its extensive publication indexing with peer review in both banking and sustainability disciplines. A systematic search strategy has been established by using keywords like "green bank*" OR "sustain*bank*". By adopting the PRISMA guidelines Preferred Reporting Items for Systematic Reviews, the SLR methodology allows a comprehensive, intentional, and systematic assessment of previously conducted research.

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FIGURE 1

PRISMA Framework

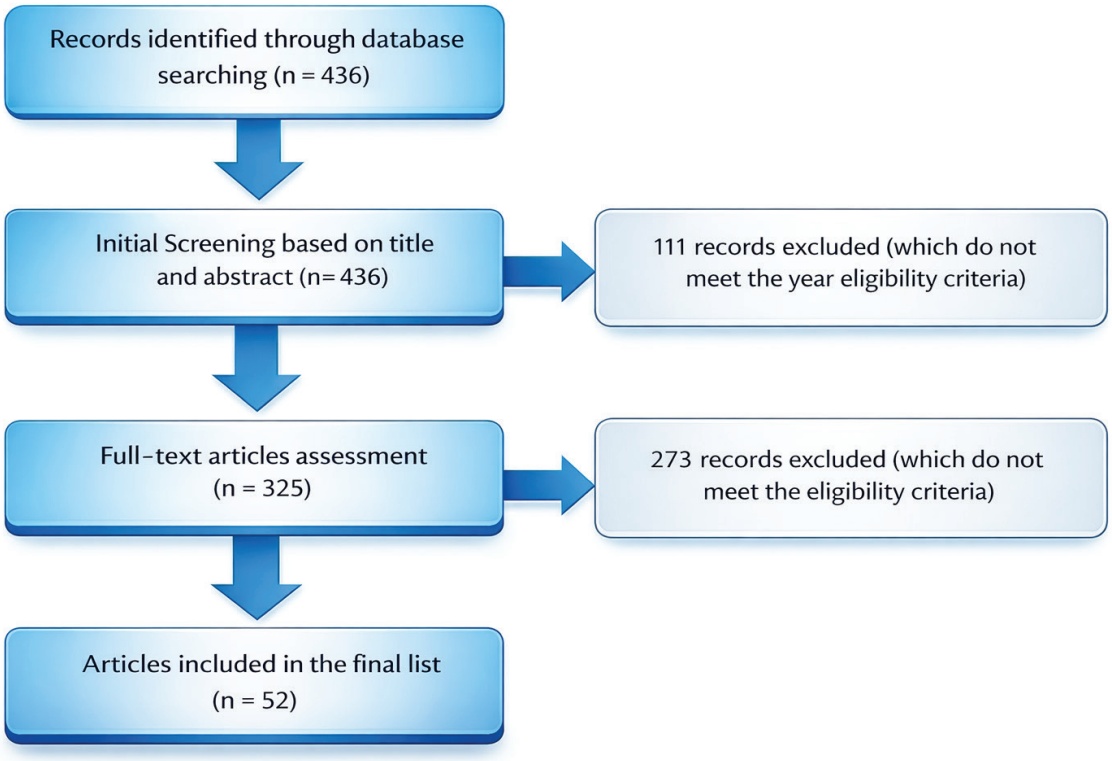

Figure 1 presents the PRISMA flow diagram, which reveals 52 out of 436 articles were found to meet the inclusion criteria. English-language, open-access, peer-reviewed journal articles published in business, management, economics, and related fields (2014–2025) were included. Journal, English language, old, or unrelated research were excluded.

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RESULTS AND DISCUSSION

Descriptive Analysis

FIGURE 2

Yearly Distribution of Articles

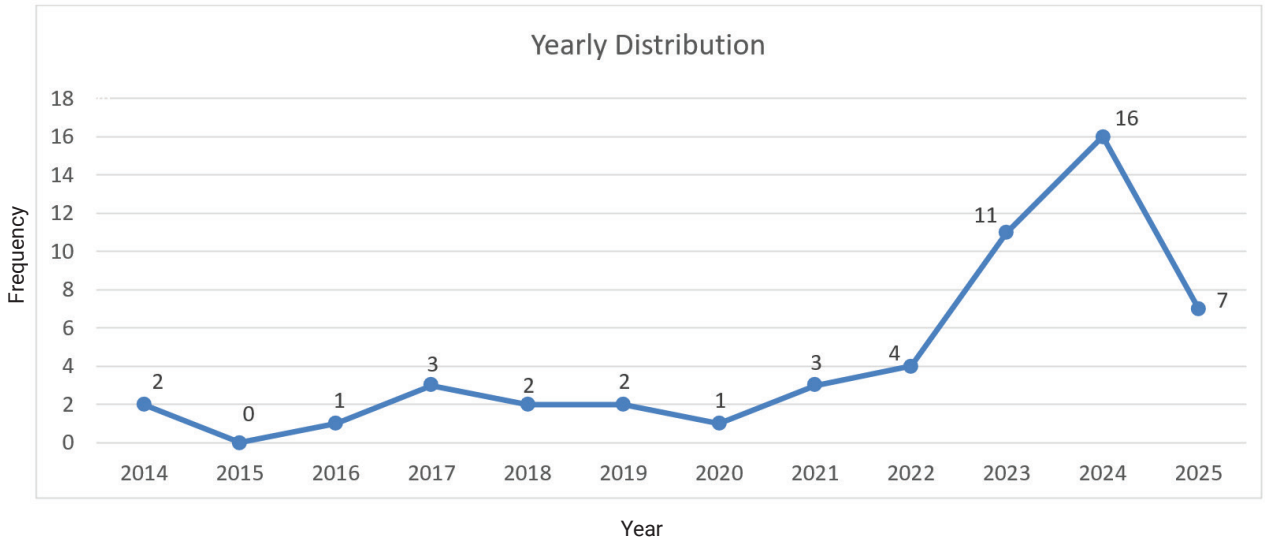

Figure 2 illustrates the yearly distribution of articles, showing a clear upward trend in research on green banking and sustainability. From 2014 to 2020, publications were sparse, with fewer than three articles annually. Interest increased in 2021 and 2022, with three and four articles, respectively. A significant surge occurred in 2023 and 2024, reaching 11 and 16 articles—the peak. Although 2025 saw a slight drop to seven because only data up to June was included, the overall trend indicates growing academic and policy interest in sustainability-related financial research.

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Table 1: Publications per Journal

Journal	Frequency	Percentage (%)
Sustainability (Switzerland)	5	9.1
Quality - Access to Success	3	5.7
Prabandhan: Indian Journal of Management	2	3.8
Journal of Sustainable Finance and Investment	2	3.8
Journal of Sustainability Research	2	3.8
Journal of Logistics, Informatics and Service Science	2	3.8
Other journals (having 1-1 article each)	37	70
Total	**52**	**100%**

Table 1 presents the distribution of articles in various journals included within the purview of the review. Overall, 52 articles were published in various journals, with the highest number of articles (5 articles or 9.1%) being published in Sustainability (Switzerland), followed by Quality - Access to Success with 3 articles (5.7%). A few journals, including Prabandhan: Indian Journal of Management, Journal of Sustainable Finance and Investment, Journal of Sustainability Research, and Journal of Logistics, Informatics and Service Science, with 2 papers each (3.8%), followed. The other publications (37 papers or 70%) were scattered in numerous other journals, with each journal carrying one paper.

Table 2: Data Source

Data Source	Frequency	Percentage (%)
Primary Data	23	44.23
Secondary Data	29	55.77
Total	**52**	**100%**

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Table 2 presents the data sources utilized in the 52 studies that were studied. Secondary data were mostly employed by the majority (29 studies or 55.77%), indicating an inclination toward archive sources when conducting green banking studies. Primary data were utilized by 23 studies (44.23%).

Table 3: Statistical Tools

Statistical Tools	Frequency	Percentage (%)
Structural Equation Modeling (SEM)	15	28.84
Regression analysis	25	48.26
PLS-Structural Equation Modeling (SEM)	6	11.5
OLS, Regression Analysis	2	3.8
AMOS, SPSS	1	1.9
CB-Structural Equation Modeling (SEM)	1	1.9
Delphi-Analytic Hierarchy Process	1	1.9
Fishbone diagram	1	1.9
Total	**52**	**100**

Table 3 also shows the statistical techniques used in the reviewed studies. The most common methodology used was regression analysis, which appeared in 25 studies (48.26%), while Structural Equation Modeling (SEM) was used in 15 studies (28.84%). Among SEM techniques, PLS-SEM appeared in 6 studies (11.5%) and CB-SEM in 1 study (1.9%). Others included OLS regression (3.8%), AMOS and SPSS (1.9%), Delphi-AHP (1.9%), and the Fishbone diagram (1.9%). This trend indicates a strong leaning towards regression-oriented analyses, and SEM techniques also being used increasingly in green banking research for modeling intricate relationships.

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Table 4: Country-wise Distribution

Country	Frequency	Percentage (%)
India	13	25
Cross Country	12	23.01
Bangladesh	7	13.5
Indonesia	7	13.5
Pakistan	4	7.71
Other Country (having 1-1 articles)	1	17.28
Total	**52**	**100%**

Table 4 shows the country-wise break-up of reviewed articles. India leads the tally with 13 articles (25%), showing massive research activity on green banking. Cross-country studies have 12 articles (23.01%), reflecting growing global collaboration. Bangladesh and Indonesia have given 7 articles (13.5%), followed by Pakistan with 4 articles (7.71%). Some other countries—Brazil, Colombia, France, Moldova, Nigeria, North Cyprus, Oman, Qatar, and Vietnam—each contribute one article (17.28%). This distribution highlights the fact that while green banking research is regionalized in South Asia, it also occurs internationally with authors from diverse geographical locations.

Citation analysis shows the number of citations a document or an author or a journal etc., has received during a certain period. This paper includes citations by documents, citations by journals, and citations by country.

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Table 5: Citations by Documents

S.N.	Document	No. of Citations
1	Do Green Banking Activities Improve the Banks' Environmental Performance? The Mediating Effect of Green Financing	93
2	Green Banking—Can Financial Institutions support green recovery?	84
3	Assessing the relevance of green banking practice on bank loyalty: The mediating effect of green image and bank trust	73
4	Green banking for environmental sustainability-present status and future agenda: Experience from Bangladesh	70
5	A review of the recent developments of green banking in bangladesh	70
6	Green banking and sustainability – a review	54
7	Sustainable banking; Evaluation of the European business models	48
8	Sustainable banking, market power, and efficiency: Effects on banks' profitability and risk	30
9	Environmental Science and Pollution Research	29
10	Green banking adoption practices: improving environmental, financial, and operational performance	26
11	Customer awareness on Green banking practices	25
12	The impact of sustainable banking practices on bank stability	23
13	Factors affecting green banking practices: Exploratory factor analysis on Vietnamese banks	21
14	Geographical locations of banks as an influencer for green banking adoption	17
15	Do sustainable banking practices enhance the sustainability performance of banking institutions? Direct and indirect effects	16
16	Geographical locations of banks as an influencer for green banking adoption	14
17	Do green banking practices improve the sustainability performance of banking institutions? The mediating role of green finance	12

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Table 5 provides a citation analysis of the most impactful papers in the review. The highest-cited paper with 93 citations is the one that discusses the environmental impact of green banking. This is followed by green recovery (84 citations) and green image and loyalty (73 citations) papers. Two studies focusing on Bangladesh each received 70 citations, indicating regional influence. Widely cited papers involve studies on sustainable banking, customer awareness, and green finance. The review extracts outstanding themes and contributory studies defining green banking and sustainability studies.

Table 6: Citations by Journal

S.N	Journal	No. of Citations
1	Sustainability (Switzerland)	314
2	Economic Analysis And Policy	84
3	Asian Economic And Financial Review	70
4	Arab Gulf Journal Of Scientific Research	54
5	Prabandhan: Indian Journal Of Management	31
6	Environmental Science And Pollution Research	29
7	International Journal Of Ethics And Systems	26
8	Journal Of Sustainable Finance And Investment	26
9	Renewable And Sustainable Energy Reviews	23
10	Journal Of Economic Development	21
11	International Journal Of Bank Marketing	16
12	Quality - Access To Success	12
13	Social Responsibility Journal	12

Table 6 shows citation frequency by journal, highlighting significant publication sources in green banking research. Sustainability (Switzerland) has the highest frequency at 314 citations, reflecting its high impact. Next is Economic Analysis and Policy (84) and Asian

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Economic and Financial Review (70). Others like Arab Gulf Journal of Scientific Research, Prabandhan, and Environmental Science and Pollution Research also have a serious impact. Others had fewer citations. In general, the review points towards the dominance of inter-disciplinary, sustainability-focused journals in shaping green banking discourse.

Table 7: Citations by Country

S.N	Country	No. Of Citations
1	China	270
2	India	158
3	United Kingdom	141
4	Turkey	110
5	France	88
6	Pakistan	61
7	Viet Nam	48
8	Malaysia	46
9	Indonesia	33
10	Spain	31
11	Jordan	29
12	Qatar	25
13	Bangladesh	16

Table 7 shows citation distribution by country, revealing the global reach of green banking research. China leads with 270 citations, followed by India (158), the United Kingdom (141), and Turkey (110), indicating strong academic involvement. France (88), Pakistan (61), and Vietnam (48) reflect emerging research activity, while Malaysia (46), Indonesia (33), and Spain (31) contribute moderately. Countries like Jordan, Qatar, and Bangladesh have lower citation frequencies. This dispersion highlights global engagement in green

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banking, with key contributions from both developed and developing economies.

The keyword co-occurrence analysis is shown in Figure 3.

FIGURE 3

Keyword Co-occurrence

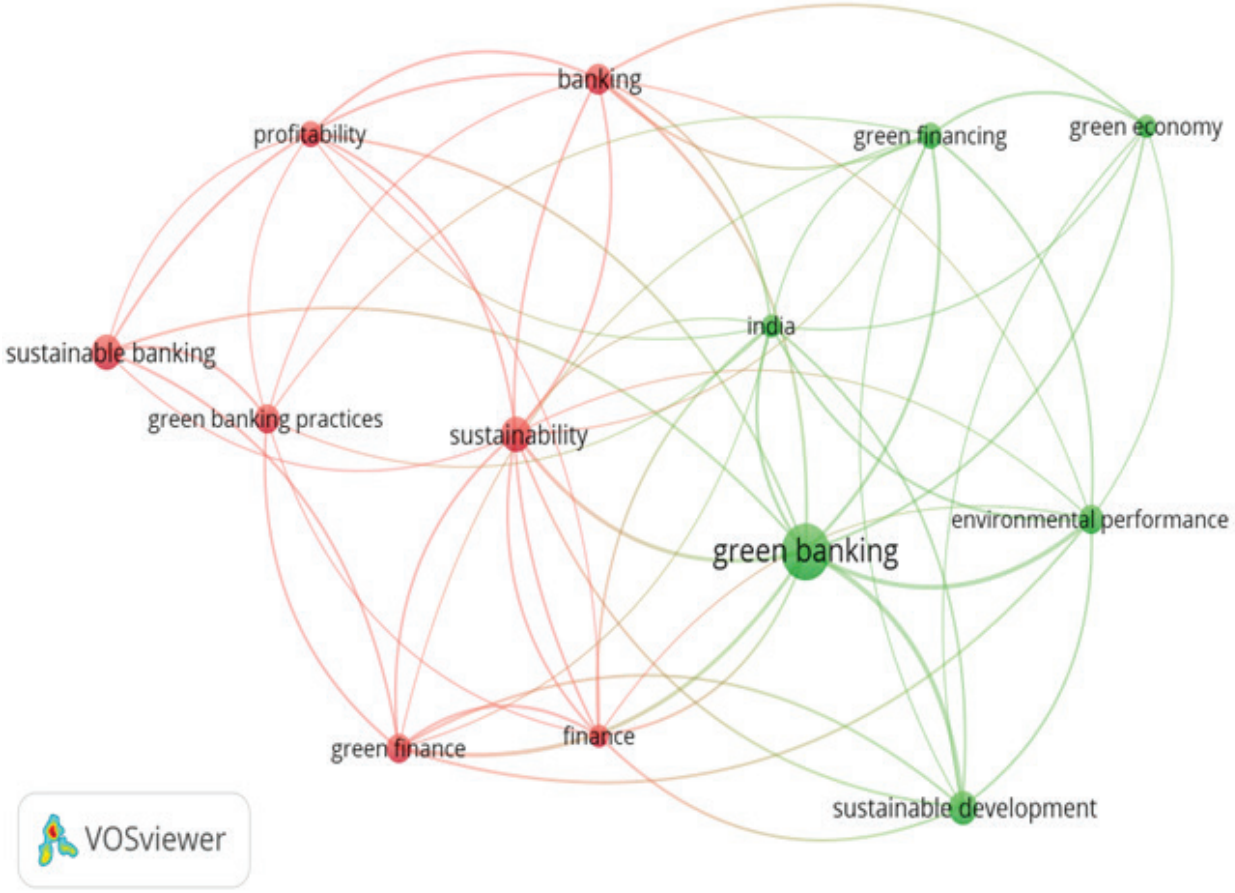

Figure 3 shows a network visualization by VOS Viewer, representing co-occurrence of keywords in green banking literature. The hub node, "green banking," connects two

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clusters. The green cluster is dealing with environmental and policy matters, adopting the use of words like "green economy" and "sustainable development," particularly among developing countries. The red cluster represents operational and financial dimensions, like "profitability" and "finance." The word "sustainability" bridges the two clusters, reflecting the cross-disciplinary nature of green banking, combining environmental responsibility with financial sustainability in sustainable development.

This thematic analysis considers six super themes of 52 peer-reviewed papers on green banking and sustainability: green banking practices, green finance, institutional and policy support, bank characteristics, stakeholder engagement, and adoption challenges. These themes encapsulate the various and dynamic aspects of green banking in relation to sustainable development. Green banking practices revolve around embracing eco-friendly practices such as green loans, paperless banking, and investments in renewable sources of energy. Studies by Zhang et al. (2022) and Subedi & Bhattarai (2024) confirm that such initiatives not only enhance green performance but also enhance operating efficiency for the support of the United Nations Sustainable Development Goals. Green finance is the prime motivator linking banking business with sustainable outcomes, such as green bonds and sustainable investment funds. Research by Bansal et al. (2023) and Zhang et al. (2022) shows that banks integrating green finance into their mainstream strategy achieve stronger environmental impact and stakeholder trust, particularly in the ASEAN region. Institutional and policy support is also essential for the success of green banking. While nations like Vietnam and Somalia fall behind with weak regulation (Dang et al., 2023; Barre, 2024), countries like Indonesia and India show the way through effective policy tools. Bank size and digital readiness influence green banking adoption, with bigger banks having a higher chance of implementing green practices due to improved infrastructure and resources (Rahma & Wedari, 2024). Stakeholder engagement, particularly by the employees and customers, is also important. Mehta and Handriana (2024) emphasize that environment-conscious customers and well-trained personnel are key to green banking success, but awareness remains low in the majority of places. Lastly, barriers such as unawareness, limited funding, policy incoherence, and institutional resistance,

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especially in developing nations, inhibit green banking growth. Overcoming these calls for targeted policy interventions, training, and financing to induce sustainable banking.

This literature review systematically examines how the function of green banking has evolved to fulfill sustainability in financial, environmental, and institutional domains. The literature repeatedly indicates that green banking has evolved from an off-center idea to a core strategic issue in developing and developed nations. Particularly in the background of mounting concerns related to climate change, regulatory requirements, and the United Nations Sustainable Development Goals (SDGs), it has emerged as a critical issue. The key finding is the positive relationship of green banking activity such as green lending, paperless banking, and green investment with emphasis on the environment, and improved environmental and financial performance. Not only do they contribute to sustainability but also to long-term profitability and customer retention. Although upfront investment is high, studies such as Al-Kubaisi and Khalaf (2023) confirm that they lead to improved competitiveness and operational efficiency. Green finance seems to be a mediating driver par excellence linking banking operations with environmental performance because banks financing green sectors such as renewable energy or low-carbon initiatives also witness better sustainability performance (Zhang et al., 2022; Bansal et al., 2023).

Policy and institutional incentives form the core in deciding whether green banking succeeds or not. For example, Vietnam's strong regulation facilities have accelerated green banking adoption, while Somalia is saddled by weak institutions and weak awareness (Dang et al., 2023; Barre, 2024). Bank size and readiness are also considerations, as larger banks are in a better position to implement sustainable practices economically (Rahma & Wedari, 2024). Weak awareness, strict finances, and regulatory differences remain, however, challenges, especially in developing economies. Innovation Resistance Theory helps explain how psychological and institutional inertia hinder momentum (Musyaffi et al., 2023). Moreover, the current research culture is quantitative dominant, so more qualitative and mixed-method studies are required to probe stakeholder perceptions and context-specific problems. Green banking's future depends on institutional strength, strategic inclusivity, and inter-disciplinary, policy-driven research.

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CONCLUSION AND SUGGESTIONS

This systematic literature review examines green banking's three-dimensional role towards sustainability in financial, environmental, and institutional aspects based on 52 peer-reviewed journals from January 2014 to June 2025. The findings indicate that green banking has emerged as a strategic imperative in both developed and developing countries as a reaction to climate change, regulatory pressure, and sustainability goals. Green banking practices, including green loans, paperless banking, environmental disclosure, and sustainable investing, have a positive effect on financial performance and the environment, tending to bring long-term gains such as increased efficiency, trust, and stakeholder involvement.

Green finance is pinpointed as a mediating variable of primary importance linking banking behavior and sustainability performance in a manner that translates good-intentioned green initiatives into real-world impact. Policy and institutional support—such as government incentives and regulation enforcement—continue to be crucial for the successful adoption of green banking, as seen in the examples of India, Indonesia, and Vietnam. Yet, nations such as Somalia are faced with challenges including poor governance, low awareness, and inadequate infrastructure.

Bank-specific determinants such as size, resources, and technological readiness also condition success. Large banks with capital and long-term vision are driving green transitions, but smaller banks require special policy support. Challenges such as low awareness, regulatory inconsistency, perceived complexity, and financial barriers continue to impede large-scale uptake, especially in emerging economies. Innovation Resistance Theory offers explanations on how institutional and psychological factors slow down uptake.

The review calls for more qualitative and mixed-methods studies exploring stakeholder experiences and contextual variables, especially in less-studied in Nepal. Future studies should also address digital banking and fin-tech in the promotion of green finance. In general, green banking is no longer an option but an imperative for a sustainable financial future, and it demands concerted efforts from stakeholders in promoting environmentally friendly banking practices across the world.

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