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Green Human Resource Management Practices and Sustainability in the Banking Sector of Nepal

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Abstract

Green Human Resource Management (GHRM) integrates environmental sustainability into human resource practices. However, evidence on its relationship with organizational sustainable performance remains limited in emerging economies, particularly the Nepalese banking sector. This pilot study examines the relationship between five GHRM practices—green recruitment and selection, green training and development, green performance management, green compensation and benefits, and green employee relations—and organizational sustainable performance, drawing on the Ability–Motivation–Opportunity (AMO) framework and Institutional Theory. Data were collected from 54 banking professionals in Nepal. Organizational sustainable performance was measured through green innovation, green culture, and green employee behaviour. Multiple regression analysis was employed to examine the relationships between GHRM practices and sustainable performance. Green training and development is positively associated with all three dimensions of organizational sustainable performance. Green performance management showed a positive, although weakly significant, relationship with green culture. The findings suggest that capability-enhancing GHRM practices, particularly green training and development, may play a more prominent role in supporting organizational sustainable performance in Nepalese banks. The findings highlight the importance of strengthening employees' green knowledge and

capabilities through training and development. Future research should validate these findings using larger, more representative samples and other sampling techniques. The study extends the GHRM literature by jointly examining five GHRM practices and three dimensions of organizational sustainable performance through the AMO framework, providing preliminary evidence from the less explored Nepalese banking context.

Keywords: Banking Sector, Green Training and Development, GHRM, Nepal, Pilot Study, Sustainability

1. Introduction

With rising environmental threats, regulatory requirements, and stakeholder expectations, the concept of sustainability has become a key focus for businesses globally. However, in the dynamic context, financial institutions, especially banks, are no longer seen as capital intermediaries, but as active players in the environmental and social arena, as they make their lending decisions and institute their internal practices and operations (Scholtens, 2006; Weber, 2012). As a result, the Environmental, Social, and Governance (ESG) has become a pillar of banking strategy, as they need to be accountable to all stakeholders (Rizki & Putra, 2024) and promote socially responsible banking (Nițescu et al., 2025). So, they have started incorporating ESG practices not only into credit policies but also into internal systems (Menicucci & Paolucci, 2023). In this transition, Human Resource Management (HRM) is the most crucial internal process for implementing sustainability in organizational behavior, and its adoption can be termed Green Human Resource Management (GHRM). It involves the systematic integration of environmental goals across all HR functions (Jackson & Seo, 2010; Renwick et al., 2013). In contrast to traditional HRM systems, the objective of GHRM is to influence employees' capacity, motivation, and opportunities to develop attitudes and behaviors towards sustainability that are operational at the workforce level. This ultimately improves the organization's sustainable performance (Tanova & Bayighomog, 2022) and corporate culture of environmental responsibility (Coelho et al., 2024).

According to the existing literature, positive links exist between GHRM practices, environmental performance and organizational sustainability outcome (Jabbour & Santos, 2008; Paillé et al., 2014; Tang et al., 2018). In the banking context, GHRM practices positively impact organizational resilience and, in turn, sustainable performance (Gul et al., 2025; Shakir & Khan, 2023; Mishra & Rath, 2024; Alwali & Alwali, 2026). The strength and direction of these effects differ across HR dimensions (Jamil, 2023). In particular, the green training and development mechanism is widely acknowledged as the key mechanism, as it directly contributes to employees' environmental knowledge and capabilities (Xie & Zhu, 2020; Jasim & Al-Taie, 2024). Other functions of HR, such as recruitment, compensation, and employee relations, show less direct or indirect effects, depending on the level of institutional maturity, organizational readiness and culture (Ahmed et al., 2026; Ullah, 2024; Zihan et al., 2024)

Although more and more research has focused on GHRM, empirical research remains mainly directed at manufacturing industries and developed economies. The focus on service-oriented sectors – especially the financial sector – has been largely under-researched. This is particularly evident in developing-country contexts where institutional structures for sustainability are still evolving. In the South Asian context, this gap is even more pertinent as banks strive for digital

transformation and regulators push for ESG compliance, while internal HR systems are yet to be fully developed for sustainability (Piwowar-Sulej, 2022)

The banking sector in Nepal offers a pertinent empirical context for the understanding of the practice of GHRM. The technology revolution is sweeping Nepalese banks, regulatory convergence towards ESG principles is happening at a fast pace, and banks are also progressively implementing operational best practices related to sustainability, such as paperless banking and digital service delivery. However, the level of internal Human Resource measures that are structured to support these external sustainability commitments is unclear. In the context of the Nepalese commercial banking industry, research indicates that GHRM is positively associated with sustainability performance (Hamal et al., 2026; Hakuduwal & K. C., 2025) and financial performance (Chad, 2026; Subedi & Bhattarai, 2024) of Nepalese commercial banks. However, little empirical research exists on the integrated role of the various GHRM dimensions across multiple sustainability-related outcomes.

To address these gaps, our study examines the relationship between the GHRM practices and sustainability outcomes in the Nepalese banking sector. More specifically, it explores five aspects of GHRM: green recruitment and selection, green training and development, green performance management, green compensation and benefits, and green employee relations. The study defines organizational sustainability outcomes in three interrelated dimensions, namely, green innovation, green culture, and green behavior of employees. The study builds on the work and models of Appelbaum et al. (2000), Boxall & Macky (2009), Lepak et al. (2006), and Boxall & Purcell (2003), who developed and applied the concept of the Ability–Motivation–Opportunity (AMO) framework. Within this structure, green recruitment and training contribute to employees' skills and work performance, while employee relations facilitate their involvement in sustainability-related activities.

However, given the limited empirical evidence on these HR practices in the Nepalese banking context, a pilot study was conducted to assess the validity of the measurement instruments and to gain preliminary insight into the relationships among constructs. This practice can be very helpful in developing a theoretical model and in establishing its validity before a large empirical test is undertaken (Van Teijlingen & Hundley, 2001).

The rest of the paper proceeds as follows. In Section 2, the literature review, followed by the development of hypotheses & Conceptual framework in Section 3. The research methodology is outlined in Section 4, and the empirical results are then summarized and analyzed in Section 5. Section 6 presents the conclusion and recommendations.

2. Literature Review

2.1 GHRM and Organizational Sustainability

GHRM integrates environmental concerns into HR practices and functions, such as recruitment, training, performance management, compensation, and employee relations (Lewica et al., 2024; Renwick et al., 2013). Theoretically, GHRM is now viewed as a micro-foundation for internal organizational sustainability. Past research consistently shows that organizations with integrated green HR systems exhibit higher environmental performance, have a more pro-environmental orientation, and have employees with higher pro-environmental behavior (Jabbour & Santos, 2008; Paillé et al., 2014; Tang et al., 2018). The

difference in magnitude and mechanisms of these effects suggests that the impact of GHRM is context-specific as well. GHRM in services, e.g., banking services, has more of a behavioral and cultural aspect than an operational environmental aspect. The primary way banks can make an impact on sustainability is not through operational processes but through long-term strategy and the environmental impact of their lending decisions (Mir & Bhat, 2022). Human Resource systems are thus crucial to the internalization of ESG within employees' minds and the organization's culture.

2.2 Theoretical Integration: AMO Framework and GHRM Mechanisms

The AMO framework provides a strong theoretical perspective for analyzing how GHRM practices relate to sustainability outcomes. In this context, there are three ways HR practices affect performance: by improving employee capabilities, by improving employee motivation, and by providing opportunities for participation. Within the scope of GHRM, green recruitment and green training mainly focus on ensuring that employees have knowledge and skills related to sustainability so that they can perform their duties in line with sustainability. Motivation through green performance management and compensation systems can tie rewards and evaluations to sustainability goals. Green employee relations are opportunity-enhancing processes which allow for participation, communication and engagement in green initiatives. Empirical evidence indicates that ability-based mechanisms (especially training) have a more direct and powerful impact on environmental outcomes than motivational or relational mechanisms (Lin et al., 2025; Eib et al., 2022). This is because capability development is more likely to directly impact the execution of behaviors, while incentive and relational systems typically require more established organizational structure and HR practices to be effective.

2.3 GHRM Dimensions: Integrated Empirical Insights

GHRM dimensions do not exist independently of each other but rather work together as a system. Green recruitment and selection is the most crucial aspect, which is a foundation stone to incorporate environmental values among employees. GHRM is not limited to individual employee-oriented initiatives but encompasses a range of interconnected HR functions, including recruitment, training, performance evaluation, rewards and employee relations (Arulrajah et al., 2015). The most consistent and influential GHRM dimension is green training and development. It directly contributes to environmental knowledge, awareness and/or procedural capacity, facilitating the implementation of sustainability actions by employees. Training has consistently emerged as the best predictor of environmental performance and green behaviour across sectors (Jabbour & Santos, 2008; Ogalo et al., 2020).

Green Performance Management is a means of communicating environmental concerns as a formal part of the employee appraisal system to support sustainability. Although accountability is a theoretical concept, empirical evidence shows it is effective only when institutional rules are enforced and consistent with organizational culture (Daily et al., 2009). In several developing economies, these systems are still partially implemented and thus have a limited behavioral impact. Theoretically, green compensation and benefits constitute a powerful structural mechanism, yet remain highly inconsistent in practical application. Incentive systems are assumed to encourage sustainable action; however, research in developing countries suggests that their application is not systematic enough and that the effects of incentives on employee behavior are not readily observed (Renwick et al., 2013).

In green employee relations, participation and engagement in sustainability measures are important. The effects of their roles, however, are often indirect and involve reinforcing the culture rather than direct behavioral change (Paillé et al., 2014). They are not highly effective in contexts where the participatory culture is weak.

2.4 GHRM in Banking Sector: Emerging Economy Perspective

The banking sector has a special place in the sustainability transition because of its indirect but large-scale impact on the environment through its lending, investment and capital allocation (Park & Kim, 2020). The direct environmental impacts of banks are relatively small, unlike the manufacturing sector, but the effects of the activities they finance can be much more significant (Moufty et al., 2024). GHRM is still developing in emerging economies, particularly in South Asia, where the banking sector literature has only recently begun to examine how HR practices can support environmental sustainability (Javed et al., 2026; Rubel et al., 2021). Existing research on banking-sector sustainability has largely emphasized green banking, financial products and technological transformation, while the integration of sustainability into HRM has received comparatively less empirical attention (Park & Kim, 2020; Moufty et al., 2024; Javed et al., 2026).

In Nepalese context, the emerging literature has examined GHRM practices in relation to employee performance, employee perceptions and perceived environmental sustainability. However, the evidence remains relatively fragmented (Chapagain & Dangol, 2024; Pandey & Risal, 2025; Hakuduwal & KC, 2025). The studies show that banks vary in how effectively they incorporate green banking objectives into their HR practices (Chapagain & Dangol, 2024; Ojha, 2025). This leaves a potential gap in the connection between sustainability strategy and HR practices.

2.5 Research Gap

Previous studies have largely indicated that there are potential benefits that GHRM can help achieve organizational sustainability performance; but the benefits are not necessarily consistent across GHRM practices, contexts or dimensions of sustainable performance. This suggests that treating GHRM as a single, homogeneous construct may overlook important differences in how individual HR practices contribute to sustainability outcomes.

First, sectoral evidence remains uneven. A substantial proportion of the international GHRM literature has focused on manufacturing and other environmentally intensive industries, where environmental practices are closely related to production processes and resource utilization. Comparatively, evidence from service-sector organizations, including banking, remains less developed. Although banks have a relatively small direct environmental footprint compared with manufacturing firms but their HR systems can play an important role in embedding sustainability within organizational practices. Therefore, examining GHRM in the banking sector can provide insights into how green HR practices operate in a relatively knowledge- and service-intensive setting.

Second, evidence from developing and emerging economies remains geographically skewed and context-specific. The research on GHRM has grown beyond just developed economies, but the results in developing economies are somewhat more scattered, while institutional conditions could affect the adoption and effectiveness of GHRM practices. Nepal is a relevant context, as it offers a unique institutional setting for the banking sector, and there is a limited

integrated empirical study exploring the relationship between GHRM and organizational sustainability in Nepal.

Third, a body of empirical evidence on individual GHRM dimensions may not be adequate as GHRM is an integrated concept. The research has focused less on testing the relative impact of several GHRM dimensions on various components of sustainable organizational performance in one empirical framework. This gap is significant as GHRM practices can work in various ways. For instance, training can increase employees' environmental knowledge and skills, performance management and compensation can affect motivation and employee involvement can offer an opportunity for employees to participate in environmental activities.

Fourth, there is a need for greater contextual assessment of measurement and research frameworks. GHRM constructs and sustainability measures have largely been developed and validated in particular institutional and cultural settings. Their applicability in a different national and organizational context should therefore be examined rather than assumed. This is particularly relevant for a pilot study, which can provide preliminary evidence regarding the applicability of the research framework and measurement instruments in the Nepalese banking context.

Against these gaps, the present study examines the relationship between five GHRM dimensions—green recruitment and selection, green training and development, green performance management, green compensation and benefits, and green employee relations—and three dimensions of organizational sustainable performance: green innovation, green culture, and green employee behavior. Drawing on the Ability–Motivation–Opportunity (AMO) framework and Institutional Theory, the study provides preliminary evidence on the relative contribution of these GHRM practices to sustainability outcomes among banking professionals in Nepal. Thus, the study contributes to the literature by extending GHRM research to an underexplored service-sector and national context while examining whether different GHRM practices are equally relevant for different dimensions of organizational sustainable performance.

3. Hypothesis Development and Conceptual Framework

3.1 Hypothesis Development

The existing literature indicates that implementing GHRM can enhance organizational sustainable performance by integrating environmental considerations into HR systems, thereby influencing employees' capabilities, motivation, and participation (Jackson & Seo, 2010; Renwick et al., 2013). However, studies indicate differences in the impact of GHRM components; for example, training has been found to have a greater effect than recruitment, rewards, and relational components (Jabbour & Santos, 2008; Ogalo et al., 2020; Tang et al., 2018). Drawing on these findings and the AMO framework, five hypotheses are developed:

Green Recruitment and Selection

Green recruitment incorporates environmental values into the recruitment process and encourages the recruitment of people with a sustainability mindset (Arulrajah et al., 2015). But previous research indicates that it is mostly about indirect effects and relies on reinforcement via subsequent HR practices.

H1: Green recruitment is positively associated with organizational sustainable performance.

Green Training and Development

Green training helps employees to develop their environmental understanding and their operational capacity, facilitating the effective implementation of sustainability actions (Jabbour & Santos, 2008). This is always found to be the most significant factor that influences environmental performance in GHRM (Ogalo et al., 2020; Tang et al., 2018).

H2: Green training and development is positively associated with organizational sustainable performance.

Green Performance Management

It incorporates employees' ESG performance into appraisal systems to improve accountability for sustainability (Daily et al., 2009). However, its effectiveness also depends on institutional enforcement and alignment.

H3: Green performance management is positively associated with organizational sustainable performance.

Green Compensation and Benefits

Rewards and recognition is a form of green compensation that encourages pro-environmental behavior (Renwick et al., 2013). But there is a lack of evidence in developing countries regarding the level of implementation and its effects.

H4: There is a positive relationship between green compensation and benefits and organizational sustainable performance.

Green employee relations improve involvement and commitment to environmental actions, which helps achieve sustainable outcomes as a collective (Paillé et al., 2014). Their effects are usually secondary and depend on the culture.

H5: There is a positive relationship between green employee relations and organizational sustainable performance.

3.2 Conceptual Framework

The AMO framework (Appelbaum et al., 2000; Boselie et al., 2005) is used to conceptualize the effects of GHRM practices on the sustainable performance of organizations in Nepalese banking sector. The AMO framework assumes that HR systems affect employee and organizational outcomes by improving employee capabilities and motivation to perform better (Appelbaum et al., 2000; Boxall & Purcell, 2003). In this regard, GHRM has expanded to incorporate environmental goals into HR systems, thereby facilitating pro-environmental behavior and organizational environmental performance (Jackson & Seo, 2010; Renwick et al., 2013). The framework assumes that sustainability performance results from an integrated system of HR practices that bundles together the influence on employee capabilities, motivation, and engagement in environmental initiatives (Jabbour & Santos, 2008; Tang et al., 2018).

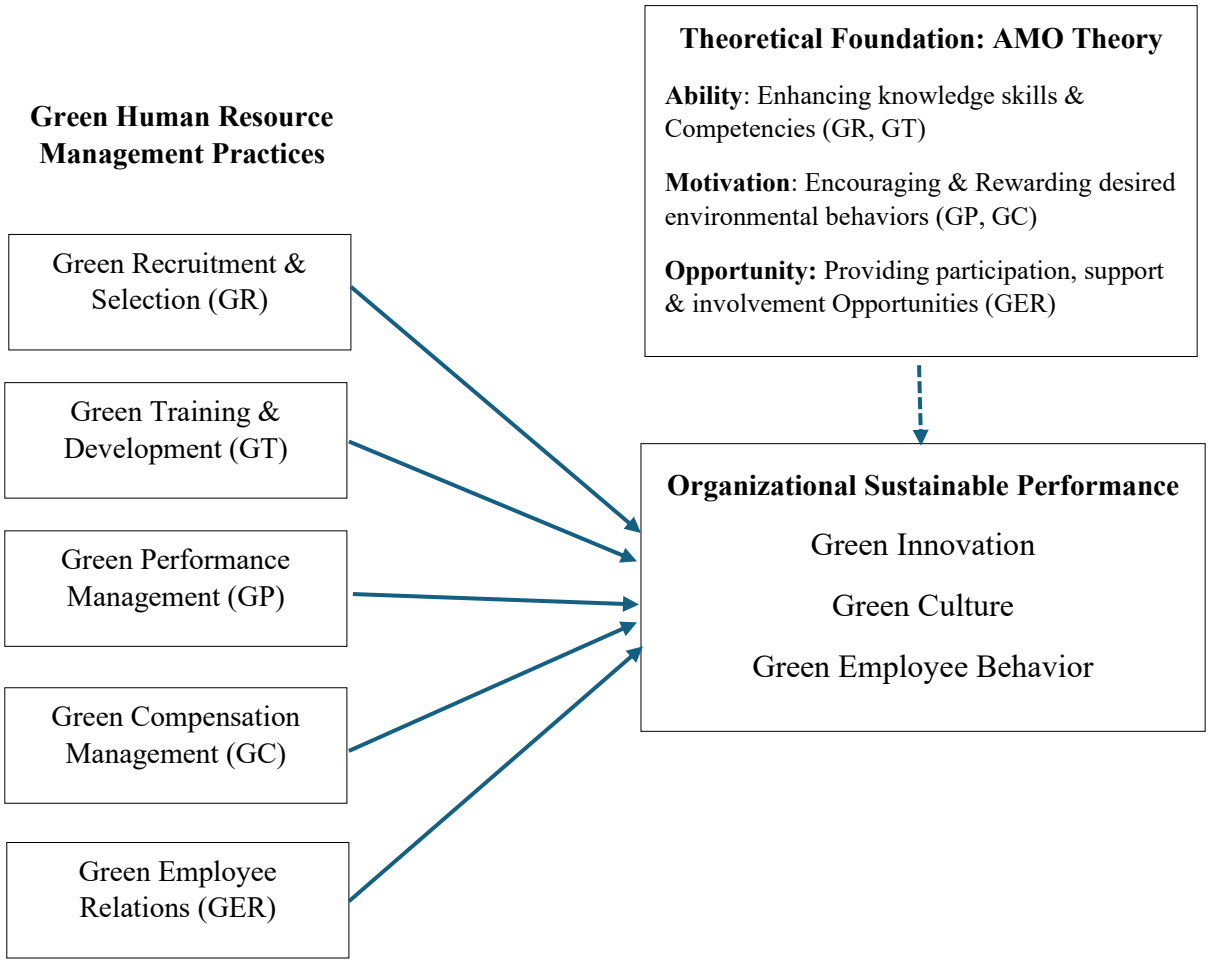
Previous studies indicate that HR practices, when implemented together, have more impact on environmental performance because the effect is a synergy between the HR functions (Renwick et al., 2013). Following the previous studies, the model proposes five independent variables, namely Green Recruitment and Selection, Green Training and Development, Green Performance Management, Green Compensation and Benefits, and Green Employee Relations. These dimensions have been found in the literature on GHRM as the main means by which organizations implement environmental sustainability (Jackson et al., 2011; Pham et al., 2019; Renwick et al., 2013). In particular, Green Recruitment and Green Training & Development are related to the ability dimension of AMO, enabling the recruitment and continuous

development of the environmental knowledge, skills and competencies of employees (Arulrajah et al., 2015; Jabbour & Santos, 2008). Green Performance Management and Green Compensation and Benefits relate to the motivation dimension, as they embed an environmental dimension in appraisal and reward processes, thereby fostering employees' motivation for green behaviors (Daily et al., 2009; Renwick et al., 2013).

The opportunity dimension is manifested in the possibility of involving employees in the organization's environmental projects, communicating with them, and having their participation in these projects (Paillé et al., 2014). Organizational Sustainability is the dependent variable in the study, defined as the extent to which banks incorporate environmental issues into their operational activities, human resource systems, and employee behaviors. It reflects both behavioral aspects, which relate to the actions employees take to support the environment, and structural aspects, which refer to the implementation of policies and practices that support the environment (Dubey et al., 2015; Tang et al., 2018).

The conceptual framework, shown in Figure 1, thus suggests that GHRM practices serve to promote organizational sustainable performance by promoting ability enhancement, motivational reinforcement, and opportunity creation. This framework is empirically evaluated using OLS regression to determine the relative effect of each GHRM dimension.

Figure 1: *Conceptual Framework of the Study*



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4. Research Methodology

4.1 Research Design

The study employs a quantitative cross-sectional design to examine the relationship between GHRM practices and organizational sustainable practices in the Nepalese Banking Sector. Perceptual data were gathered from banking professionals via a survey-based approach on the level of implementation of green HR practices and the outcomes of sustainable performance. Since this study is exploratory in nature and there was no empirical evidence of a relationship between GHRM practices and organizations' sustainability performance in the Nepalese banking environment, a pilot study was conducted to pre-test the measurement instrument and gain insights into their relationship.

4.2 Data & Sample

The population includes the employees of commercial and development banks working in Nepal. For the pilot analysis, 54 valid responses were obtained using convenience sampling. Respondents across the sample were drawn from Class A commercial banks (98.1%) and Class B development banks (1.9%) to cover the key sector of the banking industry. Since banking headquarters are concentrated in Bagmati province, most responses are from Kathmandu. Demographically, 79.6% of respondents are male, while 20.4% are female. Regarding qualifications, 61.1% are Graduates, 24.1% have an undergraduate degree, 11.1% have an MPhil, and 3.7% PhD, indicating a highly educated respondent base for organizational behavior analysis.

4.3 Data Collection Method

Structured questionnaires were used to gather primary data from banking professionals. A total of 102 questionnaires were distributed and 58 were returned. After screening for completeness, 54 useable responses were retained, which resulted in a response rate of 52.94%. The validated measurement scales from previous studies on GHRM and sustainability practices were used. All items were measured on a 5-point Likert scale (strongly disagree to strongly agree). The data were gathered by using professional contacts and institutional networks to ensure the respondents are from an organizational background relevant to HR and operational activities.

The measurement instrument comprised 54 items representing nine constructs: green recruitment and selection (7 items), green training and development (7 items), green performance management (6 items), green compensation management (6 items), green employee relations (5 items), green innovation (6 items), green culture (5 items), and green employee behaviour (6 items). All items were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The specific sources and item composition of each construct are presented in Table 1.

Table 1: *Measurement items and sources*

Construct	No of Items	Source
GR	7	Tang et al. (2018)
GT	7	Tang et al. (2018)
GP	6	Tang et al. (2018)
GC	6	Tang et al. (2018)
GER	5	Tang et al. (2018)

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GI	6	Chen et al. (2006)
GCu	5	Harris & Crane (2002)
GB	6	Daily et al. (2009)

Since the data were collected from the same respondents through a single self-administered questionnaire, there might be a concern of common method bias. However, based on the results of Harman's single-factor test, common method bias does not seem to be a concern in this study. All items were entered into an unrotated principal component analysis with extraction forced to a single factor. The results showed that the single factor accounted for 24.27% of the total variance, which is well below the acceptable threshold of 50%.

4.4 Reliability and Validity Assessment

Cronbach's alpha coefficients were used to assess the internal consistency of the measurement constructs. The coefficients ranged from 0.616 to 0.861, showing acceptable internal consistency for all constructs. As this study was designed as a pilot investigation with a relatively small sample size (N = 54), a full confirmatory factor analysis was not performed. Instead, the pilot study primarily focused on assessing the preliminary reliability and suitability of the measurement instrument. Content validity was supported through the adaptation of measurement items from the existing literature . The absence of a full factor-based validation is therefore acknowledged as a limitation of the pilot study and should be addressed using a larger sample in future research.

4.5 Data Analysis and Empirical Strategy

IBM SPSS software is used for the analysis of the collected data to assess the relationship between the GHRM practices and the organizational sustainable performance. The data is analyzed using a combination of descriptive and inferential statistical methods. Prior to hypothesis testing, the assumptions underlying the regression analysis were examined using Shapiro–Wilk test. As the primary concern in regression analysis is the distribution of the residuals rather than the individual variables, the assessment focused on whether the residuals approximately satisfied the normality assumption.

Homoscedasticity was assessed by examining the relationship between the standardized residuals and predicted values. The hypothesized relationships are evaluated using the following multiple linear regression model.

$$\textbf{Sustainable Performance} = \beta_0 + \beta_1(GR) + \beta_2(GT) + \beta_3(GP) + \beta_4(GC) + \beta_5(GER) + \varepsilon \quad \text{.....(i)}$$

where GR represents Green Recruitment and Selection, GT denotes Green Training and Development, GP refers to Green Performance Management, GC indicates Green Compensation and Benefits, GER represents Green Employee Relations, and ε is the stochastic error term capturing unexplained variation in sustainability outcomes. Sustainable performance is measured by Green Innovation (GI), Green Culture (GCu), and Green Employee Behaviour (GB).

5. Empirical Results and Discussion

5.1 Descriptive Analysis

The descriptive statistics reveal that relatively high level of agreement of the respondents were obtained in the items of the scales of Green Training and Development (Mean = 4.03) and Green Employee Relations (Mean = 3.82). Conversely, Green Compensation and Benefits,

with a mean score of 3.54, reflects the low degree of embedding environmental compensation in banking HR practices.

5.2 Correlation Analysis

Table 2 presents the correlations among all GHRM dimensions and organizational sustainability. GT is positively associated with Green Culture (GC) ($r = 0.713$, $p < 0.001$), Green Innovation (GI) ($r = 0.695$, $p < 0.001$), and Green Employee Behavior (GB) ($r = 0.540$, $p < 0.001$). At the same time, Green Culture (GC) and Green Performance Management (GP) have a significant positive relationship ($r = 0.584$, $p < 0.001$), as do GC and Green Employee Behavior (GB) ($r = 0.547$, $p < 0.001$). This indicates that, together with an enabling workplace culture, the use of motivational tools (such as incorporating environmental considerations into employee appraisals) is effective in achieving sustainable organizational performance. The Green Recruitment & Selection (GR) has a moderate positive relationship with Green Compensation (GC) ($r = 0.494$, $p < 0.001$) and Green Performance Management (GP) ($r = 0.417$, $p < 0.01$) and a moderate link with direct performance outcomes such as Green Innovation ($r = 0.196$) and Green Employee Behavior ($r = 0.189$).

Table 2: *Correlation Matrix*

	(1) GR	(2) GT	(3) GP	(4) GC	(5) GER	(6) GI	(7) GCu	(8) GB
(1) GR	1							
(2) GT	0.182	1						
(3) GP	0.417**	0.538***	1					
(4) GC	0.494***	0.371**	0.564***	1				
(5) GER	0.231	0.218	0.213	0.401**	1			
(6) GI	0.196	0.695***	0.455***	0.249	0.208	1		
(7) GCu	0.300*	0.713***	0.584***	0.409**	0.234	0.521***	1	
(8) GB	0.189	0.540***	0.308*	0.216	0.149	0.434**	0.547***	1

Note. Values are Pearson correlation coefficients. N = 54. Tests were two-tailed. $p < .05$, $p < .01$, $p < .001$, where *, **, and *** denote significance at the 5%, 1%, and 0.1% levels, respectively.

Variance Inflation Factor (VIF) and tolerance values were used to check Multicollinearity. As shown in Table 3, VIF values range from 1.210 to 1.887, with a mean of 1.561. The tolerance values ranged from 0.530 to 0.826. Since all VIF values were below the commonly accepted threshold and all tolerance values exceeded 0.20, multicollinearity is not considered a concern in the regression analysis.

Table 3: *Multicollinearity Diagnostics*

Variables	Tolerance	VIF
GR	0.714	1.400
GT	0.698	1.433
GP	0.530	1.887
GC	0.534	1.873
GER	0.826	1.210
Mean VIF		1.561

Given that heteroscedasticity was detected in the Green Employee Behaviour (GB) and Green Innovation (GI) models tested using the Breusch-Pagan test, the regressions were re-estimated using heteroscedasticity-robust standard errors as a robustness check. The results were quantitatively similar. Residual diagnostics were conducted to assess the assumptions of linear regression. Residuals for the Green Employee Behaviour model closely approximated a normal distribution (Shapiro-Wilk W = 0.983, p = .639), while minor deviation from normality were found for the Green Culture (W = 0.954, p = .039) and Green Innovation (W = 0.960, p = .071) models. However, skewness and kurtosis values remained within acceptable limits in both cases. Durbin-Watson statistics (1.61–1.96) indicated no serious autocorrelation among residuals across all models, supporting the overall adequacy of the regression estimates.

5.3 Results & Discussion

The results of OLS regression for all three models, as per equation (i), are presented in Table 4. The outcome variable in the first model is Green Innovation (GI); in the second, Green Culture (GCu); and in the third, Green Employee Behavior (GB).

***Table 4**: Regression results for GHRM practices and sustainability outcomes*

	Model 1 (GI)		**Model 2 (GCu)**		**Model 3 (GB)**	
Variables	**Coefficient**	**95% CI**	**Coefficient**	**95% CI**	**Coefficient**	**95% CI**
GR	0.080 (0.578)	[-0.198, 0.358]	0.097 (0.783)	[-0.152, 0.346]	0.107 (0.776)	[-0.170, 0.384]
GT	0.640*** (5.233)	[0.394, 0.886]	0.536*** (4.933)	[0.318, 0.754]	0.445*** (3.677)	[0.202, 0.688]
GP	0.139 (1.002)	[-0.140, 0.418]	0.220* (1.785)	[-0.028, 0.468]	-0.005 (-0.034)	[-0.301, 0.291]
GC	-0.133 (-0.949)	[-0.415, 0.149]	0.013 (0.105)	[-0.236, 0.262]	-0.037 (-0.269)	[-0.314, 0.240]
GER	0.075 (0.672)	[-0.149, 0.299]	0.035 (0.356)	[-0.163, 0.233]	0.021 (0.194)	[-0.197, 0.239]
Constant	0.865 (1.428)	[-0.353, 2.083]	0.597 (1.109)	[-0.485, 1.679]	2.178*** (3.633)	[0.973, 3.383]
R^2	0.505		0.614		0.368	
Adjusted R^2	0.453		0.574		0.302	
Cohen's f^2	1.02		1.59		0.58	
N	54		54		54	
F-statistic	9.78***		12.93***		4.15***	

Note. Coefficients are unstandardized regression coefficients. t statistics are reported in parentheses. $p < .10$, $p < .05$, $p < .01$.

The significance of the overall model was tested first with the F-statistic and indicates that the combined influence of GHRM practices is significant in explaining variability in sustainability outcomes. Specifically, Model 1 ($F = 9.78$, $p < 0.001$), Model 2 ($F = 12.93$, $p < 0.001$), and Model 3 ($F = 4.15$, $p < 0.01$) confirm the robustness of the estimated relationships. The adjusted R^2 values suggest that the models have moderate explanatory power. The model for Green Culture has the highest adjusted R^2 of 0.574, followed by Green Innovation (0.453) and Green Employee Behavior (0.302). These indicate that the cultural and innovation outcomes of organizations are more likely to be influenced by GHRM practices than individual behavioral

outcomes. In addition, the effect sizes were assessed using Cohen's f. The effect sizes were 1.02 for Green Innovation, 1.59 for Green Culture, and 0.58 for Green Employee Behavior, indicating a large effect size for all three models.

Green Training and Development is statistically significant across all three sustainable performance dimensions with β coefficient of 0.640 for Green Innovation, 0.536 for Green Culture and 0.445 for Green Behaviour. This finding is significant in the context of the AMO framework, which views capability formation as a key element in the relationship between HR systems and sustainable performance. The existing literature has clearly established that training holds the greatest influence as it directly enhances employee knowledge, awareness, and skills that are needed in order to implement sustainability (Jabbour & Santos, 2008; Ogalo et al., 2020). In addition, Tang et al. (2018) suggest that training helps sustainability strategies be internalized and become a part of everyday behavior in the workplace. From this perspective, training is seen as a central transformation process that could convert formal sustainability policy into functional competencies and help employees to embody sustainability.

Conversely, Green Recruitment and Selection is found to have positive but insignificant effects on all the models. The result is similar to that of Arulrajah et al. (2015), who state that green recruitment is not a straight-line process of driving sustainability, but rather an alignment mechanism for entry points. Previous research indicates that the impact of recruitment on environmental performance is largely indirect, with the values having to be reinforced through post-entry HR processes like training and performance management to be translated into action (Renwick et al., 2013; Jackson & Seo, 2010). In less-developed economies like Nepal, this effect is further limited because the formalization of sustainability-related hiring practices is still very low and has limited influence on the organizational outcomes.

Likewise, Green Performance Management shows only weakly significant and has a marginal influence on Green Culture. In line with the argument of Daily et al. (2009), which states that environmental performance systems work only if they are well institutionalized and regularly enforced, this study indicates that environmental performance systems are not sufficiently institutionalized in India. In many organizations in developing countries, performance management systems are still oriented towards compliance and are not integrated strategically, thus not effective in influencing employee behavior. Renwick et al. (2013) also point to the fact that if there is no linkage between appraisal systems and sustainability goals, then performance management has a symbolic effect on performance, rather than a behavioral one, further explaining the lack of statistical significance found in this study.

We do not find a statistically significant relationship between Green Compensation and sustainability outcomes. This result is consistent with the intuition that green reward systems are not always put in place in developing economies and that there is a lack of a clear connection to measurable environmental outcomes. While in theory, incentive-based mechanisms should increase motivation for sustainable behaviour (Renwick et al., 2013), there is less evidence on the efficacy of such mechanisms when it comes to institutional maturity and the development of clear reward structures around ESG. Without these systems, compensation is largely symbolic and has little impact on behaviour. Green Employee Relations are also not found to have any significant effect across the models and still need to develop enough to impact sustainability outcomes in the Nepalese banking sector. This result is in line with Paillé

et al. (2014), who suggest that employee participation systems mostly affect sustainability indirectly, through cultural reinforcement, rather than directly on behavior. However, the effect here is small, indicating that opportunity-enhancing mechanisms are not yet well developed, so that employees are not involved in environmental initiatives and are not able to make an important contribution to sustainable performance.

The results together contribute to a further elaboration of the AMO framework when applied to the banking industry of an emerging economy, showing a hierarchical sequence of the HR effects. This study found that capability-building mechanisms outweigh in practice, even though it is assumed that all three (ability, motivation, and opportunity-enhancing practices) are balanced in the AMO theory (Appelbaum et al., 2000; Renwick et al., 2013). In particular, in the context of Nepalese banking sector, the results for sustainability seem more closely related to knowledge accumulation and skill development than to incentive systems or participatory structures. This pattern has the potential to help establish a capability-centered GHRM in industry contexts, where training is the focal point of the link between HR systems and sustainable performance (Jabbour & Santos, 2008; Tang et al., 2018). Other HR practices, though conceptually related, seem to serve as enablers that do not necessarily need to be implemented before the other HR practices.

The findings can also be interpreted through the lens of Institutional Theory, as our findings show the uneven influence of different GHRM practices. Institutional Theory suggests that organizational practices are shaped not only by internal strategy but also by institutional pressures (DiMaggio & Powell, 1983; Scott, 2008). In the context of GHRM, such pressures may induce firms to include sustainability considerations into recruitment, training, appraisal, compensation, and employee involvement (Renwick et al., 2013; Tang et al., 2018). This perspective is equally relevant to the Nepalese banking sector, where the institutionalization of GHRM practices is still developing. Recent evidence from Nepalese commercial banks indicates that green training and development practices are relatively more established than green performance management and reward practices, suggesting that not all GHRM practices are uniform (Chapagain & Dangol, 2024). The plausible reason may be that Institutional pressures may encourage banks to signal commitment to sustainability through relatively visible practices such as employee training. However, more formal reward structures and participatory mechanisms may require greater institutionalization before their effects become observable.

Thus, Institutional Theory complements the AMO framework: while AMO explains how GHRM practices can influence sustainability through employees' ability, motivation, and opportunity, Institutional Theory helps explain why these practices may differ in their level of development and effectiveness within the Nepalese banking context.

6. Conclusion, Policy Implications & Recommendations

6.1 Conclusion

This study focused on the effect of GHRM on organizational sustainability outcomes in the Nepalese banking sector, using a pilot survey. The study was based on the five important components of GHRM following the AMO framework (Appelbaum et al., 2000). In the Nepalese banking context, green training and development is the only GHRM dimension among the five that is consistently associated with all sustainability outcomes. It reflects a

capability-building component of the AMO framework, emphasizing that capability building is the most essential instrument that turns sustainability intentions into actionable results in HR systems.

Previous studies also highlight how environmental training can increase employees' knowledge, awareness, and operational skills, thereby helping them carry out sustainability initiatives effectively (Jabbour & Santos, 2008; Ogalo et al., 2020; Tang et al., 2018). Along the same lines, our study also finds that training is essential to help employees understand and incorporate sustainable practices into their day-to-day work. The other dimensions of GHRM, such as green recruitment and selection, green performance management, green compensation, and green employee relations, show positive results but are not statistically significant. This indicates that these practices are still in the relative infancy of institutionalization in Nepalese banking and are not yet sufficiently rooted to be independent of influencing sustainability outcomes. The small impact on recruitment is consistent with the view that green hiring programs are basically about aligning recruitment as a process and not necessarily a performance driver (Arulrajah et al., 2015; Renwick et al., 2013).

Likewise, the limited effect of performance management is consistent with findings by Daily et al. (2009) that institutionalization and strategic enforcement of environmental appraisal systems are necessary to produce substantive changes in behaviour. The lack of significant impact on compensation and employee relations also indicates that motivation and opportunity-building mechanisms are still in their emerging stages in the banking environment in Nepal. While incentive mechanisms are theoretically designed to encourage pro-environmental behaviour (Renwick et al., 2013), success in achieving this will depend on the readiness of performance-based ESG frameworks in many developing economies. Similarly, according to Paillé et al. (2014), the influence of employee participation mechanisms is indirect through cultural reinforcement and not an immediate effect on behavior, which may account for the low statistical impact of employee participation mechanisms in this study.

Overall, the results indicate that the capability-driven approach to sustainability transformation is underway in the banking sector in Nepal, while the motivation-driven or participation-driven approach is not. This finding further develops the AMO framework in emerging economy settings by suggesting a hierarchy of HR effects based on the influence of ability-enhancing practices on the motivation and opportunity mechanisms. This is in line with the general literature claiming that capability is the key condition for implementing environmental management systems in organizations (Boxall & Purcell, 2003; Jackson & Seo, 2010; Pham et al., 2019). Theoretically, this research adds to the GHRM literature by showing that the AMO model can be implemented sequentially instead of in a balanced manner in the context of developing countries, where training and skill-building are the most important factors in achieving sustainability outcomes. The finding also links to Institutional Theory, signaling that easy and visible GHRM practices like training may be adopted by banks due to institutional pressure as well. From a contextual point of view, it reflects the fact that working with GHRM is in its early stages in the banking institutions in Nepal, with formal policies on sustainability being in their nascent stages but not fully integrated into HR systems.

Finally, the results of this pilot study must be used with caution because of the small number of participants and the local context. However, the findings present some preliminary empirical

data and offer a solid benchmark for future large-scale empirical testing of GHRM–sustainability relationships in developing country banking sectors.

6.2 Policy Implications

The results have many implications for Nepalese banking regulators and policymakers, especially Nepal Rastra Bank (NRB), Securities Board of Nepal (SEBON), and the Ministry of Agriculture, Forest and Environment, etc. Firstly, the dominance of Green Training and Development indicates the need for regulatory policies to focus on mandatory ESG capacity-building programs for all financial institutions. Institutional preparedness for green banking transformation can be enhanced through standardized certification, a sector-wide sustainability training program, and constant professional development programs. Second, that the compensation and performance management systems have weak effects underscores the importance of regulatory incentives to embed environmental performance measures in formal HR governance. Appraisal systems, board-level reporting, and incentives should include ESG metrics, guiding banks to take responsibility for sustainability results. Third, recruitment and employee relations mechanisms are not effective enough, meaning that sustainability is not yet part of the employee life cycle. Therefore, policies for green recruitment criteria and participatory sustainability governance systems in financial institutions need to be encouraged. In summary, the findings reaffirm that GHRM is not just an HR activity but an emerging governance tool that can facilitate Nepalese shift towards sustainable and responsible banking.

6.3 Managerial Recommendations

The results indicate that banks need to make continuous green training systems institutionalized as a basic HR competence. The main areas for these programs should be ESG compliance, digital banking transformation, sustainable finance, and energy efficiency in banking operations. Second, sustainability should be formally incorporated into performance management systems, using measurable KPIs tied to ESG outcomes. This fosters accountability and aligns employees' performance with organizational sustainability objectives; third, the same should apply to compensation management as well. Fourth, recruitment needs to include environmental awareness and sustainability orientation as a selection criterion to ensure sustainability values match the organization's values for longer-term sustainability. Fifth, banks should make efforts to enhance internal environmental governance platforms, including green committees, sustainability task forces, and awareness campaigns to promote participatory environmental governance.

6.4 Limitations and Future Research Directions

First, this study is based on a relatively small pilot sample of 54 respondents and a priori power analysis was not conducted, which limited the possibility of conducting an exploratory or confirmatory factor analysis. Although preliminary reliability and content validity assessments supported the suitability of the instrument, future research using a larger and more diverse sample should further validate the factor structure and assess convergent and discriminant validity.

Because of the low sample size, the generalizability of the findings is limited. Future research can be done using larger datasets to validate and extend the results across institutional categories and geographic regions. Since this study used a cross-sectional design, it is possible that sustainability-oriented banks are more inclined to adopt GHRM practices, rather than the reverse. Future studies should use a longitudinal design to better establish causality.

CRediT authorship contribution statement

Gyanendra Karki: Conceptualization, Data curation, Formal analysis, Investigation, Methodology, Software, Writing – original draft, Writing – review & editing **Dr. Kirti**: Methodology, Supervision, Validation, Writing-review & editing.

Conflict of Interest Statement

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