

Mediating Role of Management Commitment in the Relationship between Green Finance and Competitive Advantage: Evidence from Commercial Banks in Kathmandu Valley, Nepal

Bhawana Kaphle

MBA Students, Atharva Business College
vawanakaphle@gmail.com

Purushottam Subedi *

Director of Institutional Development, Nirvana College, Lalitpur-Nepal
purusubedi6@gmail.com
<https://orcid.org/0009-0006-8826-3981>

Hira Lal Shrestha, PhD

Principal
Atharva Business College, Bansbari Kathmandu, Pokhara University, Nepal
shrHIRA@gmail.com
<https://orcid.org/0009-0006-7613-842X>

Corresponding Author*

Received: May 20, 2026

Revised & Accepted: July20, 2026

Copyright: Author(s) (2026)



This work is licensed under a [Creative Commons Attribution-Non Commercial 4.0 International License](https://creativecommons.org/licenses/by-nc/4.0/).

Abstract

This study examines the mediating role of Management Commitment in the relationship between Green Finance and Competitive Advantage among commercial banks in Kathmandu Valley, Nepal. Grounded in the Resource-Based View and Stakeholder Theory, it proposes that Green Finance strengthens Competitive Advantage more effectively when channeled through top-level Management Commitment. Data from 385 bank employees were analyzed using SPSS, including reliability analysis, Pearson correlation, regression diagnostics, and the Hayes PROCESS macro (Model 4) with 5,000 bootstrap resamples. All constructs showed acceptable reliability ($\alpha = 0.794\text{--}0.874$), and regression assumptions were satisfied. The model explained 59.5% of variance in Competitive Advantage ($R^2 = 0.595$, $p < .001$), with both Green Finance ($\beta = 0.516$) and Management Commitment ($\beta = 0.339$) as significant predictors. A significant positive indirect effect (0.248, 95% CI [0.182, 0.319]) confirmed partial mediation, indicating green finance alone is insufficient without genuine management commitment.

Keywords: Green Finance, Management Commitment, Competitive Advantage, Mediation Analysis, PROCESS Macro, Commercial Banks, Nepal

Introduction

The global financial sector is increasingly being reshaped by the imperative to align capital allocation with environmental, social, and governance (ESG) objectives (Galeone et al., 2024). Green finance broadly defined as financial products, services, and investment decisions that support environmentally sustainable outcomes has emerged as a central strategic lever through which banks attempt to reduce environmental risk exposure while simultaneously pursuing new sources of competitive differentiation (Siagian, Tarigan, & Basana, 2022; Zhixia, Bakhtawar, & Thanjaphak, 2018). For the banking industry in particular, green finance is no longer viewed merely as a compliance obligation but as an emerging area for creating competitive advantage and new business opportunity, alongside the traditional mandate of financial-system risk management (Volz, 2020; Xiang & Ma, 2025).

In Nepal, this shift is still at a formative stage. Nepal Rastra Bank has introduced Environmental and Social Risk Management (ESRM) guidelines and, more recently, a Green Finance Taxonomy to steer commercial banks toward more structured green lending and investment; however, empirical evidence suggests that adoption remains largely compliance-driven rather than strategically embedded across the sector (Bhandari, Tiwari, Dhakal, & G.C., 2024). Prior Nepalese studies have documented that Nepalese commercial banks face persistent barriers to fuller green-finance adoption, including limited technical expertise, inconsistent regulatory enforcement, a scarcity of well-structured green investment opportunities, and critically a lack of visible commitment from top management to drive green initiatives forward (Bhandari et al., 2024; Chapagain & Rana, 2025). This last barrier is particularly important: several participants in Bhandari et al.'s (2024) qualitative study explicitly stated that, without the backing of top management, substantial change toward green finance is difficult to achieve. This observation motivates the central question of the present study: does Green Finance translate into Competitive Advantage directly, or does its effect depend on the extent to which bank management is genuinely committed to embedding green practices into organizational strategy? A growing body of international literature supports the latter view. Top management commitment has repeatedly been shown to mediate or otherwise channel the effect of green-oriented practices on firm-level outcomes for example, green supply chain management practices have been found to mediate the relationship between top management's sustainability commitment and sustainable performance in the hospitality sector (study of Thai green hotels, published in the *Journal of Hospitality and Tourism Insights*), while, in a Chinese banking-sector study, top management commitment was found to shape environmental sustainability outcomes through a chain of intervening organizational mechanisms (published in *Humanities and Social Sciences Communications*, 2024). Similarly, in a manufacturing-sector study using PLS-SEM, top management commitment was found to affect competitive advantage indirectly through green innovation and supply-chain integration -- rather than directly (Siagian et al., 2022).

Despite this accumulating evidence from manufacturing, hospitality, and general banking contexts, very little empirical work has directly tested Management Commitment as a statistical

mediator between Green Finance and Competitive Advantage using a quantitative, bootstrapped mediation design within the Nepalese commercial banking sector specifically. Most existing Nepal-focused studies on green banking are either qualitative in nature (Bhandari et al., 2024; Tandukar et al., 2021, as cited in Bhandari et al., 2024) or examine green finance's relationship with financial performance without testing an explicit mediating mechanism (Rai et al., 2024; Chapagain & Rana, 2025). The present study addresses this gap.

Objectives of the Study

To examine Management Commitment mediates the relationship between Green Finance and Competitive Advantage.

Literature Review

Green Finance

Green finance refers to a broad range of financial instruments, policies, and services -- such as green loans, green bonds, preferential credit for renewable-energy and energy-efficiency projects, and environmental-and-social risk screening in lending -- that channel capital toward environmentally sustainable outcomes while managing climate-related financial risk (Bhandari et al., 2024; Volz, 2020). For commercial banks, green finance is conceptualised both as a risk-management tool, protecting the institution from transition and physical climate risks, and as a strategic resource capable of generating new business opportunities and enhancing brand reputation (Rahman, Rahman, & Ashraf, 2024, as widely cited in the green-banking literature; Volz, 2020). In the South Asian context, green finance is frequently operationalised through dimensions such as green investment, green product and service offerings, environmental training of employees, and adherence to regulatory green-lending targets (Chapagain & Rana, 2025).

Management Commitment

Management (or top-management) commitment refers to the extent to which senior leaders visibly allocate resources, attention, and authority toward a given strategic priority -- in this case, environmental and green-finance initiatives -- and is widely regarded in the organizational and strategy literature as a critical antecedent of successful strategic change (Siagian et al., 2022). Management commitment has been theorised and empirically shown to operate less as a direct driver of firm outcomes and more as a mechanism that translates strategic intent into consistent organizational practice -- for instance, mediating or moderating the link between institutional pressures and green supply-chain practices in the hospitality industry, and between environmental regulation and green product innovation in manufacturing (Bhatia & Jakhar, 2021, as cited in the sustainability literature; Siagian et al., 2022). In the Nepalese banking context specifically, practitioners have identified the absence of strong, visible commitment from top management as one of the principal barriers preventing green-finance initiatives from moving beyond regulatory compliance (Bhandari et al., 2024; Parajuli et al., 2023).

Competitive Advantage

Competitive advantage denotes a firm's ability to generate greater value, differentiate its offerings, and outperform rivals in ways that are difficult to replicate (Barney, 1991). Within financial services, competitive advantage is increasingly linked to sustainability positioning: empirical evidence from the Indian banking sector shows that green banking practices

significantly enhance both banks' competitive advantage and overall performance, largely because environmentally responsible positioning improves brand image, customer trust, and long-term cost efficiency (green banking practices and competitive advantage literature, as synthesised in recent banking-sector studies). Nonetheless, the strength of this relationship is not automatic; it appears contingent on complementary organizational capabilities and leadership support that convert environmental resources into a genuine market advantage (Siagian et al., 2022).

Theoretical Framework

This study draws on two complementary theoretical lenses. First, the Resource-Based View (RBV) (Barney, 1991) suggests that a firm's sustained competitive advantage arises from resources and capabilities that are valuable, rare, inimitable, and non-substitutable. Green finance capabilities -- built through specialised environmental credit-assessment expertise, green product lines, and ESG-integrated risk systems can constitute such a resource, but RBV also emphasises that resources alone rarely translate automatically into advantage; they must be organizationally embedded, a role that management commitment is theorised to fulfil (Siagian et al., 2022). Second, Stakeholder Theory (Freeman, 1984) frames green finance as a response to the expectations of regulators, investors, customers, and society at large; management commitment, in this view, functions as the internal organizational signal that determines how responsively and coherently a bank acts on these external stakeholder pressures (Bhandari et al., 2024). Together, these theories justify modelling Management Commitment as a mediating mechanism rather than a mere control variable between Green Finance and Competitive Advantage.

Empirical Review and Hypothesis Development

Empirical support for a mediated pathway from green/sustainability-oriented practices to competitive or performance outcomes, through management commitment or closely related organizational mechanisms, has accumulated across several industries and countries. In the Thai hospitality industry, top management's commitment to sustainability was found to positively influence sustainable performance, with green supply chain management practices mediating this relationship. In the Chinese banking sector, top management commitment was found to shape environmental sustainability outcomes through a sequence of intervening organizational pathways rather than a single direct effect. In a manufacturing-sector PLS-SEM study, top management commitment was found to affect competitive advantage only indirectly, through green innovation, supplier integration, and customer integration, with no significant direct path from commitment to competitive advantage on its own (Siagian et al., 2022). In the Nigerian construction sector, top management's green commitment shaped environmental performance through green organizational culture. Within Nepal, Bhandari et al. (2024) documented, through interviews with senior bank executives and risk managers, that a clear commitment from top management was considered essential by practitioners for green-finance initiatives to produce meaningful organizational change, while Chapagain and Rana (2025) found that several green-banking dimensions significantly improved perceived financial performance among employees of Nepalese commercial banks. Taken together, this body of evidence consistently positions management/leadership commitment as the conduit through

which green-oriented resources are converted into firm-level advantage, rather than as a parallel, independent driver.

On this basis, the following hypotheses are proposed:

H1: Green Finance has a significant positive effect on Management Commitment.

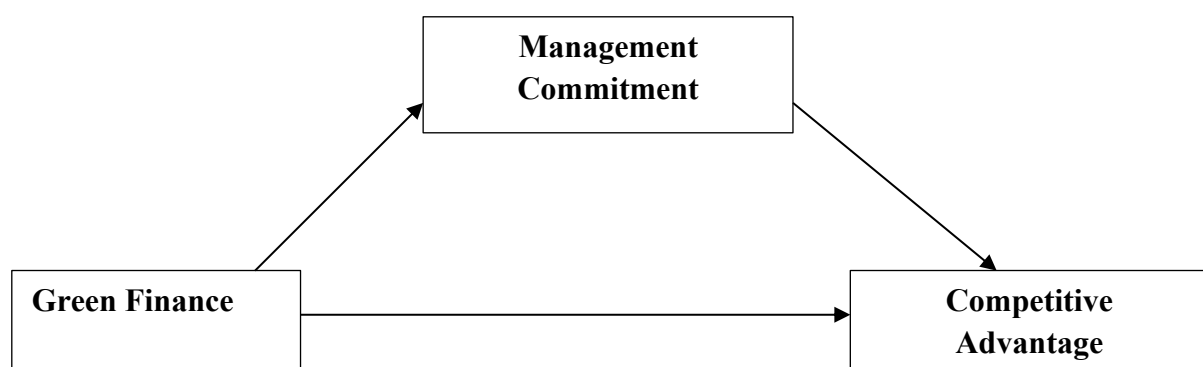
H2: Management Commitment has a significant positive effect on Competitive Advantage.

H3: Green Finance has a significant positive effect on Competitive Advantage.

H4: Management Commitment significantly mediates the relationship between Green Finance and Competitive Advantage.

Conceptual Framework

Based on the theoretical and empirical review above, this study conceptualises Management Commitment as a mediating variable in the relationship between Green Finance (independent variable) and Competitive Advantage (dependent variable).



Research Methodology

Research Philosophy and Design

This study adopted a positivist research philosophy, consistent with its aim of objectively testing hypothesised causal relationships among quantifiable constructs. A cross-sectional time horizon and a causal-comparative (explanatory) research design were employed, allowing the relationships among Green Finance, Management Commitment, and Competitive Advantage to be examined at a single point in time.

Population and Sampling

The population of the study comprised employees of commercial banks operating within Kathmandu Valley, Nepal; because the exact sampling frame (total number of eligible employees) was unknown, the population was treated as unknown/infinite for sample-size determination purposes. A total of 385 valid responses were collected from employees across 10 different commercial banks operating in Kathmandu Valley, using a convenience sampling technique.

Instrumentation and Measurement

Data were collected using a structured, self-administered questionnaire anchored on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The questionnaire measured three constructs: Green Finance (11 items), Management Commitment (5 items), and Competitive Advantage (5 items). Composite scores for each construct were computed as the mean of their respective items following confirmation of internal-consistency reliability.

Data Analysis Procedure

Data were analysed using IBM SPSS Statistics together with the Hayes PROCESS macro for SPSS (version 4.2). The analytical sequence followed standard practice for OLS-based mediation analysis (Hayes, 2018) and comprised: (i) descriptive statistics and normality screening (skewness/kurtosis); (ii) reliability analysis (Cronbach's alpha) and multicollinearity diagnostics (Tolerance/VIF); (iii) Pearson correlation among the study variables; (iv) OLS regression-based assumption testing, including residual normality (P-P plot, histogram), linearity and homoscedasticity (standardized residual vs. standardized predicted value scatterplot), independence of errors (Durbin-Watson), and case-level and multivariate outlier diagnostics (standardized residuals, Cook's Distance, Mahalanobis Distance); and (v) mediation analysis using PROCESS Model 4, with the significance of the indirect effect evaluated using 5,000 bootstrap resamples and 95% bias-corrected confidence intervals an indirect effect is considered statistically significant when its bootstrap confidence interval does not include zero (Hayes, 2018).

Ethical Considerations

Participation in the study was voluntary, and informed consent was obtained from all respondents prior to data collection. Respondent anonymity and data confidentiality were maintained throughout the research process, in accordance with standard ethical research practice.

Results and Analysis

Descriptive Statistics

Table 1 presents the descriptive statistics for the three study variables. Green Finance recorded a mean of 3.94 (SD = 0.49), Management Commitment a mean of 3.72 (SD = 0.66), and Competitive Advantage a mean of 3.89 (SD = 0.58), indicating moderately high average agreement across all constructs among respondents. Skewness values (ranging from -0.325 to -0.129) and kurtosis values (ranging from -0.029 to 0.750) fell within the generally accepted ± 2 threshold for approximate normality (George & Mallery, 2010), suggesting no serious departure from normality that would preclude parametric analysis, including OLS-based mediation via PROCESS.

Table 1. Descriptive Statistics (N = 385)

Variable	N	Min	Max	Mean	SD	Skewness	Kurtosis
Green Finance	385	2.09	5.00	3.9426	.49131	-.129	.291
Management Commitment	385	1.00	5.00	3.7169	.66485	-.325	.750
Competitive Advantage	385	2.00	5.00	3.8868	.58457	-.186	-.029

Reliability and Multicollinearity Diagnostics

As shown in Table 2, all three constructs exceeded the commonly accepted reliability threshold of $\alpha = 0.70$ (Nunnally & Bernstein, 1994), with Green Finance and Management Commitment demonstrating good internal consistency ($\alpha = 0.851$ and 0.874 , respectively) and Competitive Advantage demonstrating acceptable internal consistency ($\alpha = 0.794$). Multicollinearity diagnostics for the two predictors in the combined regression model — Green Finance and Management Commitment indicated a Tolerance of 0.621 and a Variance Inflation Factor

(VIF) of 1.611, both comfortably within the conventional cut-offs (Tolerance > 0.10; VIF < 5; Hair, Black, Babin, & Anderson, 2019), confirming that Green Finance and Management Commitment are empirically distinct constructs suitable for simultaneous entry in a mediation model. The Durbin-Watson statistic of 1.789 falls within the acceptable range of 1.5–2.5, indicating no serious autocorrelation among the regression residuals.

Table 2. Reliability and Multicollinearity Results

Variable / Construct	Cronbach's Alpha	No. of Items	Tolerance	VIF
Green Finance	0.851	11	0.621	1.611
Management Commitment	0.874	5	0.621	1.611
Competitive Advantage	0.794	5	-	-

Note. Durbin-Watson = 1.789.

Correlation Analysis

Pearson correlation coefficients among the three study variables are presented in Figure 1. All bivariate correlations were positive and statistically significant at the 0.01 level (2-tailed). Green Finance was strongly correlated with Competitive Advantage ($r = .724$, $p < .001$) and with Management Commitment ($r = .616$, $p < .001$), while Management Commitment was strongly correlated with Competitive Advantage ($r = .656$, $p < .001$). None of the inter-correlations exceeded the 0.80-0.85 range typically flagged as a redundancy concern, corroborating the multicollinearity diagnostics reported above and confirming that meaningful, non-redundant bivariate relationships exist among all three constructs -- a necessary precondition for mediation analysis (Baron & Kenny, 1986).

Correlation Heatmap Among Study Variables (Pearson Correlation)

Significance Level: ** $p < 0.01$ (2-tailed)

Variables	Green Finance (Greenf)	Management Commitment (Commt)	Competitive Advantage (CompA)
Green Finance (Greenf)	1.000 —	0.616** ($p = 0.000$)	0.724** ($p = 0.000$)
Management Commitment (Commt)	0.616** ($p = 0.000$)	1.000 —	0.656** ($p = 0.000$)
Competitive Advantage (CompA)	0.724** ($p = 0.000$)	0.656** ($p = 0.000$)	1.000 —

Color Legend (Strength of Correlation)

0.00 – 0.30 (Weak)	0.31 – 0.60 (Moderate)	0.61 – 0.80 (Strong)	0.81 – 0.90 (Very Strong)	0.91 – 1.00 (Excellent)
-----------------------	---------------------------	-------------------------	------------------------------	----------------------------

Interpretation

- All relationships are positive and statistically significant at the 0.01 level.
- The strongest correlation is between Green Finance and Competitive Advantage ($r = 0.724$).
- Management Commitment is strongly correlated with both Green Finance ($r = 0.616$) and Competitive Advantage ($r = 0.656$).

Summary of Correlations

- Green Finance ↔ Management Commitment: $r = 0.616$, $p = 0.000$ (Significant)
- Green Finance ↔ Competitive Advantage: $r = 0.724$, $p = 0.000$ (Significant)
- Management Commitment ↔ Competitive Advantage: $r = 0.656$, $p = 0.000$ (Significant)

** Correlation is significant at the 0.01 level (2-tailed).

Figure 1. Correlation Heatmap among Study Variables (Pearson Correlation, ** $p < .01$, two-tailed)

Regression Assumption Diagnostics

Before proceeding to mediation analysis, the assumptions underlying ordinary least squares (OLS) regression -- upon which the PROCESS macro's path estimates are based -- were systematically tested using the combined regression of Green Finance and Management Commitment on Competitive Advantage.

Overall Model Fit

The combined regression model was statistically significant and explained a substantial proportion of variance in Competitive Advantage, $R^2 = .595$, Adjusted $R^2 = .593$, $F(2, 382) = 280.914$, $p < .001$ (Table 3). Both predictors contributed significant unique variance: Green Finance ($B = .613$, $SE = .049$, $\beta = .516$, $t = 12.479$, $p < .001$) and Management Commitment ($B = .298$, $SE = .036$, $\beta = .339$, $t = 8.194$, $p < .001$).

Table 3. Model Summary and Coefficients (DV: Competitive Advantage)

Model	R	R ²	Adj. R ²	F	df1, df2	Sig.	
1	.772	.595	.593	280.914	2, 382	.000	
Predictor			B	SE	Beta	t	Sig.
(Constant)			.362	.155	—	2.341	.020
Green Finance			.613	.049	.516	12.479	.000
Management Commitment			.298	.036	.339	8.194	.000

Normality of Residuals

The Normal P-P Plot of regression standardized residuals (Figure 2) shows points closely following the diagonal reference line with only minor, non-systematic deviation, indicating that the residuals are approximately normally distributed. This is corroborated by the histogram of standardized residuals (Figure 3), which displays a symmetric, bell-shaped distribution closely approximating the normal curve overlay ($M = 0.00$, $SD = 0.997$, $N = 385$).

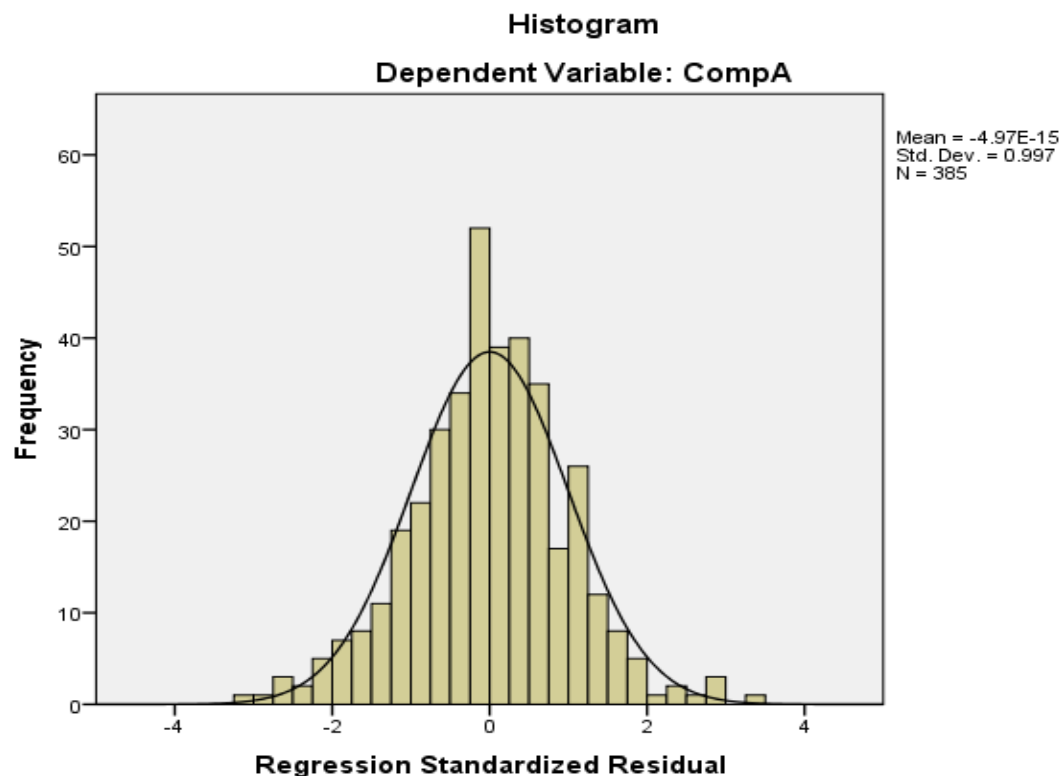


Figure 2. Normal P-P Plot of Regression Standardized Residual (DV: Competitive Advantage)

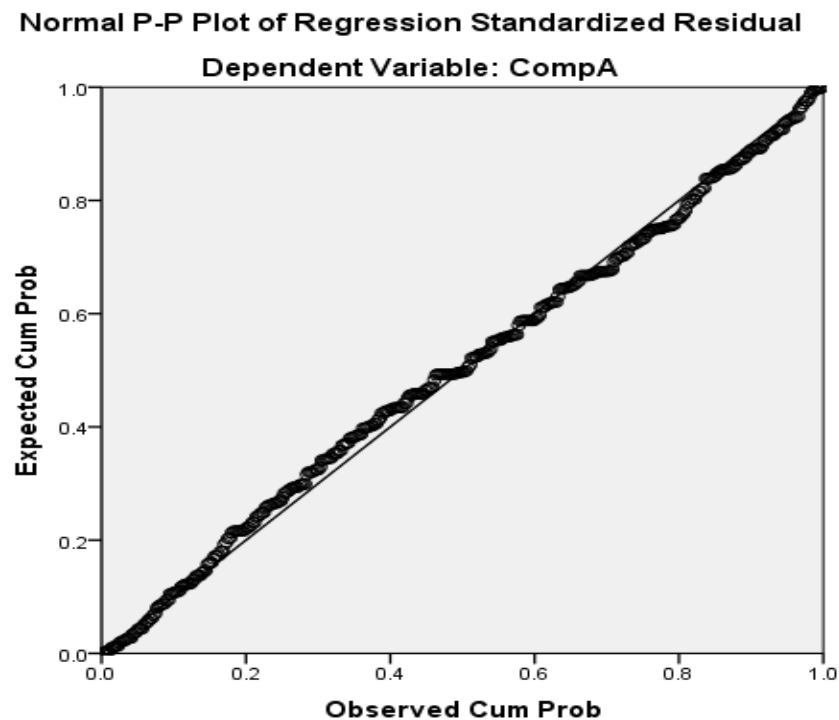


Figure 3. Histogram of Regression Standardized Residual (DV: Competitive Advantage)

Linearity and Homoscedasticity

The scatterplot of standardized residuals against standardized predicted values (Figure 4) shows a generally random distribution of points around the horizontal zero line, with no discernible funnel (widening/narrowing) shape and no systematic curvature. This pattern supports both the linearity of the relationships modelled and the homoscedasticity (constant variance) of the residuals. The diagonal banding visible in the plot is a common, non-problematic artefact of using discrete, rounded composite scores derived from Likert-type items, rather than evidence of assumption violation.

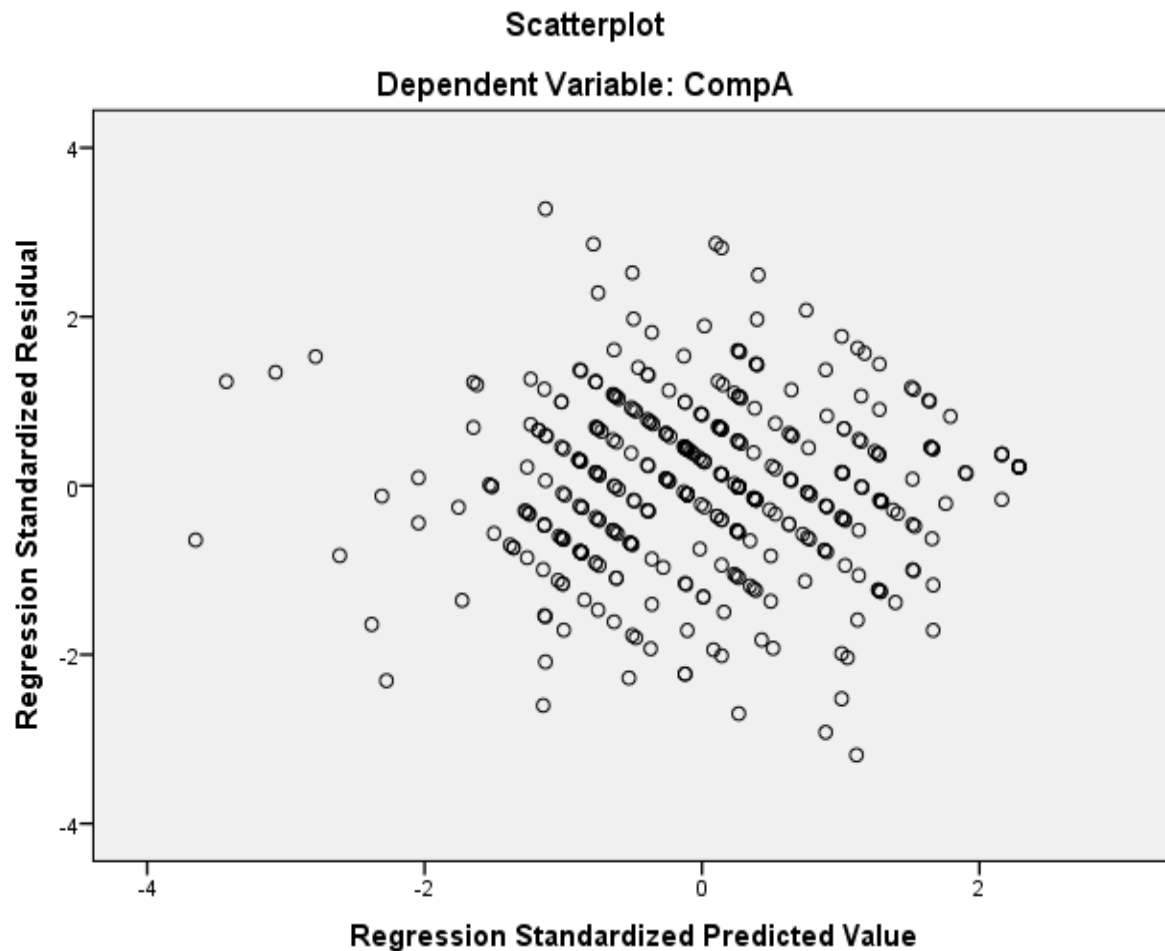


Figure 4. Scatterplot of Regression Standardized Residual against Regression Standardized Predicted Value (DV: Competitive Advantage)

Outlier and Influence Diagnostics

Case-level diagnostics identified two cases (Case 2 and Case 354) with standardized residuals marginally exceeding the conventional ± 3 threshold (-3.189 and 3.278, respectively; Table 4), representing approximately 0.5% of the sample a proportion consistent with what would be expected by chance alone under a normal distribution. Critically, Cook's Distance for the full sample ranged from .000 to a maximum of .062 ($M = .003$), far below the conventional threshold of 1.0 (Table 5), indicating that no single case including the two flagged above exerts disproportionate influence on the regression coefficients. The maximum Mahalanobis Distance (17.274) exceeded the chi-square critical value for two predictors at $\alpha = .001$ (13.82), flagging one multivariate outlier; however, given its correspondingly low Cook's Distance, this case does not measurably distort the model and was therefore retained in the analysis.

Table 4. Casewise Diagnostics (DV: Competitive Advantage)

Case Number	Std. Residual	CompA (Actual)	Predicted Value	Residual
2	-3.189	3.20	4.3890	-1.18902
354	3.278	4.60	3.3778	1.22223

Table 5. Residuals Statistics and Influence Diagnostics (DV: Competitive Advantage)

Statistic	Minimum	Maximum	Mean	SD	N
Predicted Value	2.2399	4.9172	3.8868	.45102	385
Std. Predicted Value	-3.651	2.285	.000	1.000	385
Std. Error of Predicted Value	.019	.081	.031	.011	385
Adjusted Predicted Value	2.2499	4.9159	3.8869	.45116	385
Residual	-1.18902	1.22223	.00000	.37190	385
Std. Residual	-3.189	3.278	.000	.997	385
Stud. Residual	-3.217	3.288	.000	1.002	385
Deleted Residual	-1.21041	1.22989	-.00012	.37509	385
Stud. Deleted Residual	-3.258	3.331	.000	1.005	385
Mahalanobis Distance	.018	17.274	1.995	2.399	385
Cook's Distance	.000	.062	.003	.006	385
Centered Leverage Value	.000	.045	.005	.006	385

Note. Across all diagnostics, the assumptions of normality, linearity, homoscedasticity, independence, and absence of influential outliers required for valid OLS-based mediation analysis were satisfied, supporting the appropriateness of proceeding to PROCESS Model 4.

Mediation Analysis (Hayes PROCESS Macro, Model 4)

Simple mediation analysis was conducted using the Hayes PROCESS macro (Model 4) for SPSS (version 4.2), with Green Finance entered as the independent variable (X), Management Commitment as the mediator (M), and Competitive Advantage as the dependent variable (Y), using 5,000 bootstrap resamples and 95% bias-corrected confidence intervals.

The overall model was significant, $R^2 = .595$, $F(2, 382) = 280.914$, $p < .001$. Green Finance significantly and positively predicted Competitive Advantage directly, controlling for Management Commitment (direct effect / path $c' = .613$, $SE = .049$, $t = 12.479$, $p < .001$), and Management Commitment significantly and positively predicted Competitive Advantage, controlling for Green Finance (path $b = .298$, $SE = .036$, $t = 8.194$, $p < .001$). The bootstrapped indirect effect of Green Finance on Competitive Advantage through Management Commitment was positive and statistically significant, as its 95% confidence interval did not contain zero (indirect effect / $a \times b = .248$, 95% Boot CI [.182, .319]). Because the direct effect ($c' = .613$) remained statistically significant alongside the significant indirect effect, the results support partial mediation: Management Commitment significantly channels part of Green Finance's influence on Competitive Advantage, while Green Finance also continues to exert a substantial direct effect of its own.

Table 6. Summary of Mediation Analysis (PROCESS Model 4)

Path	Effect	Coefficient	95% CI / Sig.	Interpretation
$X \rightarrow Y$ (Total effect, c)	Total	$\approx .861^*$	$p < .001^*$	Significant total effect
$X \rightarrow Y$ (controlling M) (c')	Direct	.613	$p < .001$	Significant direct effect
$M \rightarrow Y$ (controlling X) (b)	Direct	.298	$p < .001$	Significant
$X \rightarrow M \rightarrow Y$ ($a \times b$)	Indirect	.248	[.182, .319]	Significant (CI excludes 0)

Note. X = Green Finance; M = Management Commitment; Y = Competitive Advantage. *The total effect (c) is derived as the sum of the direct and indirect effects ($c = c' + a \times b \approx .613 + .248 = .861$) and is reported here as

an approximation; readers should verify this value, along with the unstandardized path-a coefficient (Green Finance → Management Commitment), against the complete PROCESS Model 4 output table for exact reporting precision.

$R^2 = .595$, $F(2, 382) = 280.914$, $p < .001$. Overall, the pattern of results supports Hypotheses H1 through H4: Green Finance significantly relates to Management Commitment (consistent with the strong, significant bivariate correlation of $r = .616$ reported in Section 4.3), Management Commitment significantly predicts Competitive Advantage, Green Finance significantly predicts Competitive Advantage directly, and Management Commitment significantly and partially mediates the Green Finance-Competitive Advantage relationship.

Discussion

The findings of this study demonstrate that Green Finance is a strong and significant predictor of Competitive Advantage among commercial banks in Kathmandu Valley, both directly and indirectly through Management Commitment. This is consistent with prior evidence from the Indian banking sector, where green banking practices have been shown to substantially improve banks' competitive advantage and performance, and with manufacturing and service-sector research more broadly linking environmentally responsible practice to differentiated market positioning (Siagian et al., 2022).

More importantly, the significant partial mediation effect of Management Commitment (indirect effect = .248, 95% CI [.182, .319]) provides quantitative confirmation of a pattern that Nepalese practitioners have previously articulated only qualitatively: that green-finance initiatives generate stronger competitive returns for banks when they are actively championed by senior leadership, rather than treated purely as a regulatory compliance exercise (Bhandari et al., 2024). This finding also aligns closely with the broader international literature in which management/leadership commitment has consistently been found to operate as an intervening mechanism -- rather than an independent driver -- linking green-oriented organizational resources to competitive or sustainability outcomes, as seen in the Thai hospitality sector, the Chinese banking sector, and manufacturing settings where top management commitment's effect on competitive advantage was found to run primarily through green innovation and integration capabilities rather than through a direct path (Siagian et al., 2022).

Because the direct effect of Green Finance on Competitive Advantage ($c' = .613$) remained large and significant even after accounting for Management Commitment, the results indicate partial rather than full mediation. Substantively, this suggests that Green Finance carries value for competitive positioning through channels beyond internal management commitment alone -- for example, direct market signalling to environmentally conscious customers and regulators, cost efficiencies from green product lines, or compliance-driven reputational benefits -- consistent with Stakeholder Theory's emphasis on external stakeholder responsiveness as a source of value distinct from purely internal organizational processes (Freeman, 1984).

Conclusion

This study set out to examine whether Management Commitment mediates the relationship between Green Finance and Competitive Advantage among commercial banks in Kathmandu Valley, Nepal. Using data from 385 bank employees and the Hayes PROCESS macro (Model

4) with bootstrapped confidence intervals, the study found that Green Finance significantly and positively predicts both Management Commitment and Competitive Advantage, that Management Commitment significantly and positively predicts Competitive Advantage, and that Management Commitment significantly and partially mediates the relationship between Green Finance and Competitive Advantage. The combined model explained approximately 59.5% of the variance in Competitive Advantage, underscoring the substantive importance of these two constructs for bank-level competitive positioning in an emerging green-finance market.

Theoretical Implications

The study extends the Resource-Based View and Stakeholder Theory to the Nepalese banking context by providing quantitative evidence that green-finance resources are converted into competitive advantage partly through the internal organizational mechanism of management commitment, adding to a growing cross-industry body of evidence (spanning manufacturing, hospitality, and banking) that leadership commitment functions as a conduit rather than a parallel, independent driver of sustainability-related competitive outcomes.

Managerial and Policy Implications

For bank executives, the results suggest that investment in green financial products and services alone is unlikely to yield the fullest possible competitive returns unless accompanied by visible, sustained commitment from top management for example, through dedicated green-finance leadership roles, internal target-setting, staff training, and resource allocation, consistent with recommendations previously made by Nepalese banking practitioners themselves (Bhandari et al., 2024). For regulators such as Nepal Rastra Bank, the findings support continued efforts to strengthen the Green Finance Taxonomy and ESRM guidelines in ways that explicitly encourage board- and executive-level ownership of green-finance strategy, rather than relegating implementation to compliance departments alone.

Limitations and Directions for Future Research

This study is subject to several limitations. First, the cross-sectional design precludes strong causal inference; longitudinal or experimental designs would strengthen causal claims about the direction of the relationships examined. Second, the use of convenience sampling within a single metropolitan area (Kathmandu Valley) limits the generalizability of findings to Nepal's banking sector as a whole, including banks operating outside the Valley. Third, all constructs were measured through employee self-report, which may be subject to common-method bias; future studies could triangulate employee perceptions with objective indicators of green-finance activity (e.g., green loan portfolio size) and independently measured competitive-performance indicators. Fourth, while the present model tested a single mediator, future research could examine additional or parallel mediating mechanisms identified in the broader literature -- such as green innovation, green organizational culture, or stakeholder pressure -- and could also test potential moderators such as bank ownership type (public, private, or joint-venture) or firm size. Finally, replication with larger, randomly sampled datasets across Nepal's full banking sector, and reporting of the complete PROCESS output table (including the exact unstandardized path-a coefficient and total-effect statistics), would further strengthen the precision and generalizability of these conclusions.

Funding

No grant.

Data availability

All data will be provided with a reasonable request to the corresponding author.

Declarations

Ethics approval and consent to participate

Not applicable.

Consent for publication

Not applicable.

Competing interests

The authors declare no competing interests.

References

- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120. <https://doi.org/10.1177/014920639101700108>
- Baron, R. M., & Kenny, D. A. (1986). The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, 51(6), 1173–1182. <https://doi.org/10.1037/0022-3514.51.6.1173>
- Bhandari, M., Tiwari, G., Dhakal, M., & G.C., S. B. (2024). Green finance practices by Nepalese commercial banks: Fostering sustainable development in Nepal. *International Journal of Sustainable Development and Planning*, 19(5), 1989–1997. <https://doi.org/10.18280/ijstdp.190538>
- Chapagain, J. D., & Rana, B. (2025). Green finance and perceived financial performance from employees' perspectives in Nepalese commercial banks. *Devkota Journal of Interdisciplinary Studies*, 7(1), 51–64. <https://doi.org/10.3126/djis.v7i1.84593>
- Field, A. (2013). *Discovering statistics using IBM SPSS statistics* (4th ed.). Sage Publications.
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Pitman Publishing.
- Galeone, G., Ranaldo, S., & Fusco, A. (2024). ESG and FinTech: Are they connected? *Research in International Business and Finance*, 69, Article 102225. <https://doi.org/10.1016/j.ribaf.2024.102225>
- George, D., & Mallery, P. (2010). *SPSS for Windows step by step: A simple guide and reference, 17.0 update* (10th ed.). Pearson.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2019). *Multivariate data analysis* (8th ed.). Cengage Learning.
- Hayes, A. F. (2018). *Introduction to mediation, moderation, and conditional process analysis: A regression-based approach* (2nd ed.). Guilford Press.
- Mishra, S., Mahat, D., & Khanal, L. (2021). Employees respect and job satisfaction in Nepalese private college. *Nepal Journal of Multidisciplinary Research*, 4(4), 45–52. <https://doi.org/10.3126/njmr.v4i4.43143>
- Nunnally, J. C., & Bernstein, I. H. (1994). *Psychometric theory* (3rd ed.). McGraw-Hill.
- Parajuli, S. K., Mahat, D., & Kandel, D. R. (2023). Innovation and technology management: Investigate how organizations manage innovation and stay competitive in the modern business landscape. *World Journal of Advanced Research and Reviews*, 19(3), 339–345. <https://doi.org/10.30574/wjarr.2023.19.3.1788>

- Rai, N., Khadka, N., Rai, M., Shrestha, P., Lekhak, M., Shrestha, M., & Mahat, D. (2024). Rise of foreign employment and challenges faced by Nepali youth in the domestic job market. *International Journal of Applied and Advanced Multidisciplinary Research*, 2(7), 497–508. <https://doi.org/10.59890/ijaamr.v2i7.2140>
- Rožman, M., Vrečko, I., & Tominc, P. (2025). Psychological factors impacting academic performance among business studies' students. *Education Sciences*, 15(2), Article 121. <https://doi.org/10.3390/educsci15020121>
- Siagian, H., Tarigan, Z. J. H., & Basana, S. R. (2022). The role of top management commitment in enhancing competitive advantage: The mediating role of green innovation, supplier, and customer integration. *Uncertain Supply Chain Management*, 10(2), 477–494. <https://doi.org/10.5267/j.uscm.2021.12.003>
- Song, W., Wang, Z., & Zhang, R. (2022). Classroom digital teaching and college students' academic burnout in the post COVID-19 era: A cross-sectional study. *International Journal of Environmental Research and Public Health*, 19(20), Article 13403. <https://doi.org/10.3390/ijerph192013403>
- Volz, U. (2020). Transition towards green banking: Role of financial regulators and financial institutions. *Asian Journal of Sustainability and Social Responsibility*, 5, Article 1. <https://doi.org/10.1186/s41180-020-00034-3>
- Xiang, W., & Ma, C. (2025). Can banking competitiveness stimulate the development of regional green finance? *International Review of Economics & Finance*, 103, Article 104464. <https://doi.org/10.1016/j.iref.2025.104464>

Views and opinions expressed in this article are the views and opinions of the author(s), *NPRC Multilingual Journal* shall not be responsible or answerable for any loss, damage or liability etc. caused in relation to/arising out of the use of the content.