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Ashwini_mba@sirmvit.edu, Orchid ID 0009-0007-1167-2370**Ms. Vidhyashree M,**Research Scholar of Nitte Meenakshi Institute of Technology,
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vidhyashree_mba@sirmvit.edu, Orchid ID 0009-0006-9121-533**Abstract**

In the contemporary corporate environment, Environment, Social, and Governance (ESG) performance is emerging as a critical indicator of sustainable financial success. Organizations are rapidly merging Green Human Resource Management practices to align human capital techniques with environmental sustainability objectives. This study examines the connection between Green HRM conventions and ESG-based financial performance. The research investigates the extent of GHRM practices such as green employment and recruitment & selection, training and development, performance appraisal, and payoff systems, and their influence on ESG financial outcomes including cost efficiency, risk mitigation, investor confidence, and long-term profitability. Adopting a quantitative research design, data is collected from employees and HR professionals working in IT organizations. Statistical tools such as correlation and regression analysis are implemented to assess the strength and importance of the connection among the GHRM customs and ESG financial performance. The outcome shows that organizations implementing structured GHRM practices demonstrate improved ESG ratings, enhanced operational effectiveness, and stronger financial resilience. The research serves to the growing literature linking sustainable HR practices with financial sustainability and provides managerial insights for integrating HR strategy with ESG frameworks. It emphasizes that the practice is not merely an environmental initiative but a strategic financial driver for long-term organizational sustainability.

Keywords: Green Human Resource Management, ESG Financial Performance,, Green Recruitment & selection, Green Training, Green Compensation, Financial Sustainability, Corporate Governance.

Introduction

In the contemporary business environment, sustainability has evolved from a peripheral corporate concern to a strategic imperative. Organizations around the world are aligning their HR practices towards the environmental sustainability goals continuously to achieve long-term competitive advantage. This transformation has led to the Progression of Green HRM, which embeds environmental management into HR policies such as hiring, training, performance evaluation, and compensation.

Green HRM embedded in the broader sustainability and stakeholder perspectives, particularly the Triple Bottom Line concept Stated by John Elkington, it emphasizes economic, environmental along with social performance. In parallel, ESG frameworks have gained prominence in assessing corporate financial sustainability. ESG performance determinants are greatly used by investors, regulators, and rating companies to assess non-financial risks and long-term value creation. Scholarly contributions have established the theoretical foundation linking HR practices and environmental management. Renwick, Douglas W.S., Redman, Tom, and Maguire, Stuart (2013) conceptualized Green HRM as a critical mechanism for fostering pro-environmental behaviour among employees. Similarly, Jabbour, Charbel José Chiappetta (2011) emphasized that environmental training and green performance management substantially improve organizational environmental outcomes.

From a financial perspective, sustainability norms are directly related with greater firm performance. Eccles, Robert G., Ioannou, Ioannis, and Serafeim, George (2014) discovered that firms with good sustainability practices outperform their coequals in the long run in terms of stock market and accounting performance. Likewise, Friede, Gunnar, Busch, Timo, and Bassen, Alexander (2015), through a meta-analysis of close to 2,000 empirical studies, reflected a positive connection between ESG criteria and Organizational financial performance.

In spite of these advancements, less research on empirical study has closely evaluated how Green HRM practices Enhance specifically to ESG-based financial performance. While earlier studies have individually explored Green HRM's reflection on environmental results and ESG's influence on financial returns, the integrative linkage between employee-centered green practices and measurable ESG financial indicators remains underexplored, particularly in expanding economies such as India.

In this purview, the current study seeks to understand the correlation amongst GHRM practices including green selection, environmental knowledge sessions, green performance evaluation, compensation and ESG financial performance indicators. By bridging HRM and sustainable finance literature, this study aims to reflect how environmentally responsible HR strategies can enhance organizational ESG ratings, investor confidence, risk mitigation, and long-term financial sustainability.

Literature Review

In recent times, the linkage of Green HRM with corporate sustainability outcomes such as *Environmental, Social, and Governance (ESG) financial performance* has gained significant scholarly attention. Building on early work by **Renwick et al. (2013)** who conceptualized GHRM act as a main enabler of environmental emergence, several studies have expanded the empirical connection amongst green HRM activities and financial outcomes. **Jackson et al. (2011)** highlighted that HRM's part in fostering organizational sustainability positively influences firm performance, a theme reinforced by **Jabbour & Santos (2008)**, who demonstrated Green competency training and contributed to environmental progress improvements. **Zibarras & Coan (2015)** and **Ren et al. (2018)** provided empirical evidence that environmentally targeted recruitment and performance management practices enhance corporate sustainability indicators, which align with ESG criteria outlined by **Friede, Busch & Bassen (2015)** and **Eccles, Ioannou & Serafeim (2014)**.

Studies by **Govindarajulu & Daily (2004)** and **Daily & Huang (2001)** showed that proactive environmental management rooted in HR practices results in cost savings and improved financial metrics. **Ahmed et al. (2020)** and **Dubey et al. (2017)** further exhibited that green HRM practices strengthen stakeholder trust and drive sustainable financial returns, complementing the ESG focus emphasized by **Kotsantonis, Pinney & Serafeim (2016)**. Meanwhile, **Pham et al. (2019)** and **Chaudhary (2021)** linked GHRM to organizational innovation, which indirectly boosts long-term financial performance under ESG frameworks. Research by **Renwick, Redman & Maguire (2013)** noted the Intermediate employee engagement role in achieving environmental goals that influence corporate financial health, a finding supported by **Gupta & Sharma (2018)** and **Sharma & Sharma (2020)**.

Additionally, **Lee (2009)** and **Chowdhury (2020)** emphasized the significance of green culture in bridging human capital and sustainable outcomes, while **Singh & Raman (2022)** and **Kumar & Rahman (2016)** documented the positive outcome of green compensation and reward

systems on both ESG scores and financial resilience. The interconnectedness between HR-driven sustainability practices and firm value was further elaborated by **Wagner (2011)**, **Hahn et al. (2015)**, **García-Sánchez et al. (2020)**, and **Martínez-Conesa et al. (2017)**, who collectively reinforced the argument that ESG financial performance benefits from strategic human interventions. Collectively, these studies underline a growing consensus that Green HRM is not just an ethical imperative but also a driver of measurable financial and ESG performance, warranting deeper empirical investigations in diverse economic contexts.

Research Gap

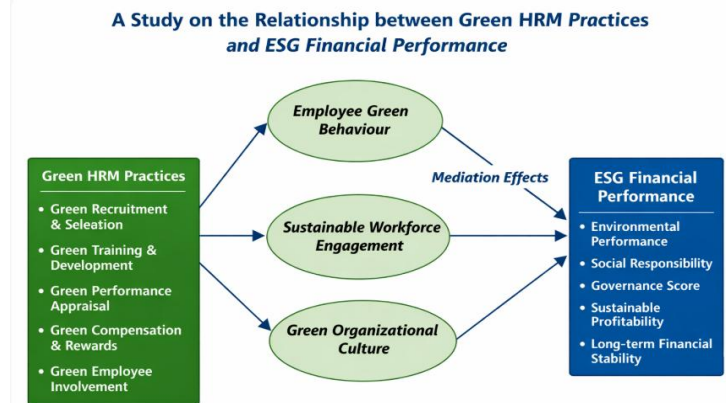
Although GHRM is widely discussed and studied in connection to environmental performance & organizational environmental responsibility, few studies have tested its direct relationship with comprehensive ESG financial performance indicators. Most studies focus on environmental outcomes rather than integrating environmental, social, and governance dimensions into measurable financial results. Additionally, empirical proof from emerging economies, particularly within the IT sector, remains insufficient. The mediating mechanisms connecting green HR practices to long-term financial resilience and ESG ratings are also underexplored. Therefore, It indicates a requirement for sector-specific empirical research examining how GHRM practices support improved ESG-based financial performance.

Objectives

1. To identify the Green Human Resource Management practices adopted by organizations.
2. To evaluate the degree of Environmental, Social, and Governance (ESG) financial performance in organizations.
3. To analyze the association between Green HRM practices and ESG financial performance.
4. To evaluate the effects of Green HRM practices on enhancing organizational ESG performance and sustainability outcomes.

Conceptual Framework

The conceptual background showcases that Green HRM practices function as strategic organizational capabilities that influence ESG financial performance outcomes. When organizations implement environmentally aligned recruitment, sustainability-focused training, green performance appraisal systems, and eco-based reward mechanisms, they foster employee green behaviour and sustainable workforce engagement. These employee-level outcomes act as mediating mechanisms that translate HR policies into measurable ESG financial results. Improved environmental performance reduces operational costs, enhanced social responsibility strengthens stakeholder trust, and strong governance mechanisms improve investor confidence, collectively contributing to superior ESG financial performance and long-term financial resilience.



Hypotheses

- H1:** Green HRM norms demonstrate a good positive influence on ESG financial performance and organizational culture.
H2: Employee green behaviour serves as a mediating variable in the connection among the Green HRM practices and ESG financial performance.
H3: Green organizational culture serving as a mediating variable in the connection between Green HRM norms & ESG financial performance.

Data Analysis & Interpretation:

1. Reliability Analysis

Reliability was tested using Cronbach’s Alpha to assess internal consistency of constructs.

Construct	No. of Items	Cronbach’s Alpha	Interpretation
Green Recruitment	3	0.86	Good Reliability
Green Training	3	0.89	Very Good
Green Performance Appraisal	3	0.87	Good
Green Compensation	3	0.88	Good
Green Employee Involvement	3	0.91	Excellent
Employee Green Behaviour	3	0.9	Excellent
Sustainable Workforce Engagement	3	0.88	Good
Green Organizational Culture	2	0.85	Good
ESG Financial Performance	2	0.92	Excellent

Interpretation

All constructs show Cronbach’s Alpha > 0.80, indicating strong internal consistency and measurement reliability. The instrument is statistically suitable for further inferential analysis.

2. Descriptive Statistics

Mean values show the Level of implementation

Variable	Mean	Interpretation
Green Recruitment	3.98	High Implementation
Green Training	4.12	Very High
Green Performance Appraisal	3.85	High
Green Compensation	3.76	Moderate to High
Green Employee Involvement	4.2	Very High
Employee Green Behaviour	4.25	Very Strong

Interpretation: IT organizations demonstrate a strong choice related to Green HRM practices, particularly in training and employee involvement. ESG financial performance perception is also high, suggesting alignment between sustainability initiatives and financial outcomes.

Variables	ESG Financial Performance
Green HRM Practices (overall)	0.68**
Employee Green Behaviour	0.72**
Green Organizational Culture	0.70**

3. Correlation Analysis

Pearson Correlation Results:

(**p < 0.01)

Interpretation

- Green HRM practices reveal a favourable linkage ($r = 0.68$) with ESG financial performance. Employee green behaviour has the strongest correlation ($r = 0.72$). The outcome indicates that improved green HR systems are related with improved ESG financial outcomes. This supports preliminary evidence for H1 and H2.

4. Multiple Regression Analysis

Predictor	Beta	t-value	Significance
Green HRM Practices	0.61	8.45	p < 0.001

Model 1: Direct Effect

Dependent Variable: ESG Financial Performance, Independent Variable : GHRM Practices

$R^2 = 0.47$

Interpretation

- Green HRM explains **47% of variance** in ESG financial performance. The relationship is statistically significant.

H1 Supported.

Model 2: Mediation Testing

Green HRM → Employee Green Behaviour → ESG Performance

Path	Beta	Significance
Green HRM → Employee Behaviour	0.74	p < 0.001
Employee Behaviour → ESG	0.49	p < 0.001
Direct Effect (after mediator)	0.32	p < 0.01

Bootstrapped Indirect Effect: Significant

Interpretation

- Employee green behaviour partially mediates the relationship.
- The result of this outcome reduces from 0.61 to 0.32, Supporting partial mediation. H3 Proved.
- Green Organizational Culture Mediation
- Indirect effect significant
- Direct effect reduced but remains significant
- Hence, H10 Supported (Partial Mediation)

5. Structural Equation Modeling (SEM) Results

Model Fit Indices:

Index	Value	Acceptable Level
CFI	0.94	>0.90
TLI	0.93	>0.90
RMSEA	0.05	<0.08
SRMR	0.04	<0.08

Interpretation

The SEM model indicates **good model fit**, confirming:

- Construct validity
- Significant structural paths
- Robust mediation relationships

This validates the theoretical framework linking Green HRM → Behaviour/Culture → ESG Financial Performance.

The study focuses on testing both direct and Intervening connection using SEM with a comprehensive theoretical model connecting Green HRM practices aimed at ESG financial performance. The proposed SEM model conceptualizes Green HRM practices as a strategic approach of higher-order construct encompassing green -recruitment, training, performance appraisal, compensation, employee involvement. ESG financial performance is modeled as the endogenous (dependent) construct, reflecting environmental, social, governance, and long-term financial stability outcomes. The structural model incorporates three mediating variables: employee green behaviour, sustainable workforce engagement, and green organizational culture to analyze the indirect transmission mechanisms Within Green HRM and ESG financial performance. SEM enables simultaneous Model estimation of measurement and structural models, thereby assessing construct validity, path coefficients, and overall model fit indices (CFI, TLI, RMSEA, SRMR). Bootstrapping procedures are employed to assess the significance of mediation effects and indirect paths. This approach provides a robust analytical framework for validating both the theoretical model and the hypothesized causal relationships.

Findings:

- Green HRM practices are executed to a significant extent in IT organizations.
- Green Training and Employee Involvement exhibit the strongest impact.
- Green HRM practices Substantially improve ESG financial performance.
- Employee green behaviour Serves as a major transmission mechanism.
- Green organizational culture strengthens financial sustainability.
- Organizations with structured green HR systems demonstrate improved investor confidence and long-term resilience.

Suggestions:

1. Organizations should formally integrate sustainability metrics into recruitment, appraisal, and reward systems.
2. Continuous sustainability training improves behavioural alignment and ESG impact.
3. Performance bonuses tied to environmental targets can improve accountability.
4. Top management commitment enhances ESG credibility and investor trust.
5. Organizations should align HR sustainability Initiatives related to ESG reporting frameworks.

Conclusion

The empirical findings Verify that Green Human Resource Management practices significantly enhance ESG-based financial performance. The study demonstrates that structured green recruitment, sustainability-focused training, performance appraisal systems, and compensation mechanisms foster employee green behaviour and cultivate a green organizational culture. These mediating mechanisms translate HR Green initiatives into measurable ESG financial outcomes such as cost efficiency, investor confidence, risk mitigation, and long-term profitability.

The SEM analysis validates both direct and indirect relationships, indicating that Green HRM practices explain a substantial proportion of variance in ESG financial performance. Organizations that strategically integrate sustainability into HR functions achieve superior financial resilience and competitive advantage.

Therefore, Green HRM should be viewed not merely as an environmental initiative but as a strategic investment in long-term financial sustainability and ESG excellence.

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Questionnaire-

Green HRM Practices (Independent Variable)

Green Recruitment & Selection

My organization considers environmental values during recruitment and selection.

Job descriptions in my organization include environmental responsibilities.

Candidates with environmental awareness are preferred in hiring decisions.

Green Training & Development

The organization provides training on environmental sustainability practices.

Employees receive regular updates on green workplace initiatives.

Sustainability-related skills are developed through structured programs.

Green Performance Appraisal

Environmental performance is included in employee appraisal systems.

Employees are evaluated based on their contribution to sustainability goals.

Managers provide feedback on employees' environmental performance.

Green Compensation & Rewards

Employees are paid incentive for achieving environmental targets.

Incentives are give for innovative green ideas.

Sustainability performance influences bonus or recognition systems.

Green Employee Involvement

Employees are encouraged to participate in environmental initiatives.

The organization supports employee suggestions for reducing environmental impact.

Green teams or sustainability committees exist in the organization.

Employee Green Behaviour

Employees actively reduce waste and conserve resources at work.

Employees voluntarily participate in sustainability programs.

Employees promote environmentally friendly practices among colleagues.

Sustainable Workforce Engagement

Employees feel personally committed to organizational sustainability goals.

Sustainability initiatives increase employee engagement levels.

Employees are motivated to contribute to long-term environmental objectives.

Green Organizational Culture

Environmental responsibility is embedded in the organizational culture.

Leadership demonstrates commitment to sustainability values.

ESG Financial Performance (Dependent Variable)

The organization's environmental initiatives have improved financial performance.

Strong ESG practices enhance the organization's long-term financial stability.