

# A Conceptual Study on Green Management Practices in Banking Industry

Nur Syawani Abdullah<sup>1</sup>, Rosintansafinas Munir<sup>2</sup>, Intan Rahimah Ahmad<sup>3</sup>,  
Shazlin Suhaiba Samaan<sup>4</sup>

<sup>1</sup>*WorkSmartly Digital Sdn. Bhd., Bandar Sri Damansara Kuala Lumpur, Malaysia*

<sup>2</sup>*Faculty of Business and Management, Universiti Teknologi MARA, Malaysia*

<sup>3</sup>*Commerce Department, Politeknik Port Dickson, Malaysia*

<sup>4</sup>*Faculty of Business Management and Professional Studies, Management and Science University Malaysia*

Corresponding email address: rosint2778@uitm.edu.my

## Abstract:

The Green Management Practices (GMP) in businesses has the greatest influence on the performance of the organization. The banking sector has been seen as more proactive to support and adopt green management practices as compared to others. Nevertheless, a prior study has reported that the adoption of GMP may not secure i.e. technical default can cause data missing, indirectly may have an implication on the banking's revenues and operating efficiency. To curb the issue, the banking sector has enhanced its innovative services and products such as green loans and QR pay which are beneficial to the consumers, the environment, and the bank itself. Therefore, this study attempts to fill up this existing gap by understanding the practices of green management towards bank performance. This research is expected to create awareness of GMP towards employees to increase knowledge and reduce the negative impact on the environment. Furthermore, the result of this research will become the guidelines for the banking sector to formulate policies and advocate programs towards achieving successful GPM that will lead to sustainable environmental.

**Keywords:** Green Management Practices, Organizational Performance, Green Innovation, Banking Sectors

## I. Introduction

Modern lives have been going green and made green values important practices for business. These practices are essential because it benefit both the climate and the bottom line of businesses in the long term. Presently, all green products, machinery and technology in banking sector are innovation of green that meeting the standards for reducing environmental harm and banking sector are the leading sector that has commenced to practice green management in their organizations and services (Yatima, Sue, & Lam, 2017).

All countries across the globe including Malaysia, faces a variety challenge of environmental concerns and the need to protect the environment is increasing each day. These are caused by rapid energy consumption, which has resulted in the depletion of non-renewable natural resources and an increase in greenhouse gas emissions. As a result, the value of green innovation and practises has emerged, with the motivation to reduce pollution and boosting environmental sustainability. Datuk Seri Mustapa Mohamed mentioned that the Malaysia government has committed to environmental sustainability and have several agendas of sustainable, primarily for financial institutions, for instance, the Green Technology Financing Scheme (GTFS), Green Investment Tax Allowance (GITA) and Green Income Tax Exemption

(GITE), as well as the Malaysian Green Technology and Climate Change Centre's MyHJAU Mark programme (MGTC) (Bhattacharjee, 2021). He also stated that Malaysia is the third largest partner and continuously been the exporter of Environmental, Social, and Governance (ESG) product from 2001 to 2020.

Green management practices and the concept have been used in industry since 1970, when the Environmental Protection Agency was formed and the first Earth Day celebration was held in the United States. The celebration event's overall goal was to increase awareness of the Earth's climate, and surprisingly it influenced about 200 million people from 141 countries until 1990 (History, 2020). These practices are attempt to continually improve the foundations of environmental management, such as responsible workforce development for green practices, environmental management structures and coordination, and the conservation of natural resources. Thus, withdrawing from general management and begin to adopt green management in the organization will help bring several benefits of green values policies and practices whilst increasing the organization's efficiency.

Nowadays, the preservation of environment has become top priority on a global scale due to high occurrences of climate change. Consequently, many individuals have start to focus on the topic of green practices and values. According to Marcus and Fremeth (2009), green management operates in all ways, but it is critical for the company to allow management to use resources wisely while also being responsible for environmental preservation. Alhadid and As'ad (2014) also mentioned that, owing to the growth of environmental issues around the world, many companies are now involved in regional government sustainability programmes in every aspect of the industry. Even both government and non-government sectors including researchers have emerged and take precautions to answers and adapt to these environmental concerns (Guner, 2017).

There are issues that businesses have a significant effect on climate change especially for companies that utilized general management concept, thus, many companies began shifting their businesses into green management approaches that reflect on the environmental harm. A few studies have shown that green management practices may improve organizational performance; however, certain risks, such as the expense of installing green management innovation, may have an effect on the organization's revenues and operating efficiency (Bohdanowicz, 2006). This statement was supported by Guerci and Carollo (2015), the negative impact to other operations performance is due to lack of financial gains from green practices in the organization.

Moreover, due to banking industry has the high support of green adaptation, banks are under pressure to deliver more structure, affordable and quicker service that driving the bank to be more innovative (Shameem & Haleem, 2021). Dhamija and Sahni (2018) also stated that, the adoption of green management practices in the banking industry are beneficial yet may not secure and the technical defaults can cause loss of data especially if it lacks of proper infrastructure, thus, it will lead to additional expenses and reduces the efficiency of the organization. Moreover, there is lack of study on green management practices can influence the organizational performance within the banking industry in Malaysia. Regardless, banking sector remains optimistic about supporting and embracing the green technologies. As banking industry has the higher willingness among other industry to adapt and mitigate the green management practices, hence this study aims to determine the influence of green management practices (organizational structure, human resources and innovation capability) on organization performance within banking industry in the Central Region, Malaysia. Apart from that, implying green innovation in GMP will greatly influence the organization performance especially in banking sectors.

## **II. Literature Review**

### ***Green Management Practices***

Green management practices are proposed to preserve the environment sustainability by encourage and replace the general management practices with green values as well as the implementation strategies and processes required to adapt it, such as the challenges faced when attempting to raise employee awareness of green management and how to deal with employee resistance to green management practices adoption (Goyal, 2013). This is due to the fact that the environment is increasingly recognized as a valuable asset and today's business are expected to not only shorten production time, increase efficiency, lower costs, and enhance performance, but also to become more environmentally conscious (Ann, Zailani, & Wahid, 2006). Nowadays, organizations are increasingly being requested to promote green practices and value in their business operations. As the environment continues to deteriorate year after year, several businesses have begun to engage in green management practices, and some of these investments have been manifested in the organization's performance. Whelan and Fink (2016) mentioned that, funding in sustainability can serve as a risk management tool as well as a catalyst for invention. Plus, it will also for product redesign that suit environmental or social requirements whilst will opens up to new economic options.

Generally, green management practices are a type of management that focuses on the environment, hence, adoption of green innovation and practices in the banking sector is more than a change in a bank's business operations; it's a cultural shift that impacts all elements of the bank's operations (Bukhari, Hashim, & Amran, 2019). Although, banking industries known environmentally neutral, nevertheless, as time passing by it became clear that somehow bank have the major impact in environmental preservation (Meena, 2013). For that reason, the banking sector shows a greater propensity to incorporate green management practices. Previous study has documented that, over the past year banking industry has continuously grown strong across the world in promoting sustainable practices in their services and still continuing (Zimmermann, 2019).

As previously stated, banking industry are ambitious in supporting and embracing new green technologies, for instance, in the past year Maybank Berhad has actively incorporated technology into its service delivery and has earned many awards for innovation, while also contributing in environmental preservation (Maybank, 2020). Other than that, most of the bank nowadays are using online transaction and mobile banking which are known as parts of the innovation in green management practices (Dhamija & Sahni, 2018). Hence, the study will look into how the green management practices can influence the organization performance in banking industry as well as maintaining the sustainability of the environment. The study will also explore on how green innovation play its role between variables.

### ***Green Management Practices and Organizational Performance***

Today's, the business organization should stimulate the employee to become environmental friendly and integrate its business activities with environmental context as it potentially could enhance the business performance and be a good green business practices (Ahmad et. al, 2020). There are several perspectives of green management concept and practices reliant on the organization purposes and goals. Past research shows that the field of green management have classified the term from various viewpoints which can be viewed from either the perspective of management practices applies or the designation of organizations based on strategic approaches (Loknath & Azeem, 2017). Mostly the focus on green management practices is related to the organizational performance since the approaches are widely used to examine the performance of the general management.

Academic studies have frequently recognized a correlation between green management practices on organizational performance. A study conducted to 277 managers through online questionnaire in Iran reveals that GMPs has influence the organizational performance (Ainin,

Naqshbandi, & Dezdar, 2016). The results shows were obtained through structural equation modelling (SEM) with positive relationship where the adoption of green management improve the transaction of the business. This implies that the study indicates that the influence of green management practices in the business does increase the performance of organization. Thus, it is suggested for the business to recognize the implementation of green management practices as it helps increase the organizational performance.

Recent study conducted by Kovilage (2020), confirmed that the green practices do affect the organizational performance through the ISM-based structural model. It has been shown that there are close links between GMPs and organizational performance, therefore the study will further clarify the links through context of organizational structure, innovation capability and human resources. The link of GMPs and OP in the study has confirmed that in order to sustain the organizational performance, the organization should strategically apply the green management practices in the business. The researcher suggested that organizations who implement GMPs potentially improve organizational performance, innovation capability and also raising employee awareness of the green movement.

H1: There is a positive relationship between green management and organizational performance.

### ***Green Management Practices and Green Innovation***

Many organizations are currently embracing green management practices in the organization as well as technology with green innovation, as they aware that all of these are vital to preserve the environment and to help achieve the overall performance, particularly in this modernization era. Consequently, almost every industry has start implement green management practices such as green procurement, green lean six sigma, and green management accounting approach to improve productivity and efficiency (Conding, Zubir, Hashim, & Lanang, 2013). This is due to the fact that in this contemporary time, most marketed services and products embrace green technology, such as green loans, green certifications, and others (Rakić & Mitic, 2012).

A prior study explored by Bigliardi and Bertolini (2012) reveals the theories of green practices where the implementation of green innovation in the business are because of the green management practices in the organization. There were six papers collected by the researcher which clarify the clear evident of the green management practices and green innovation. The empirical research from the six papers shows that the green management practices exist in the body of knowledge in the field of green innovation. Apart from that, the six papers collected for reviews also explained that the green innovation also appear to be complex but approachable for the green management practices. Therefore, the results show there is a significant relationship between the green management practices on green innovation.

Further study by Salim, Rahman and Wahab (2021) that the key driver of green innovation in the industry is the promotion of green management practices in organizations toward new systems, processes, goods and services. The results obtained using structural equation modelling show that organizational flexibility toward environmental proactivity promotes the adoption of green innovation in the business. Based on the result, researcher proposes that organization should be more flexible and proactive toward the environment to boost the innovation of green technology. Aside from that, human resources play an important role in providing insight and encouraging green practices and value in order for businesses to remain competitive in the market. 2019).

H2: There is a relationship between green management practices and green innovation.

### ***Green Innovation and Organizational Performance***

Although financial performance is often linked with organizational performance, there are other viewpoints in which some organizational performance is evaluated through operational performance and environmental performance. In this day and age, green innovation is capable of addressing the whole organization performance through the development of technology that is eco-friendly, smooth, and also reduces long-term organizational expenditures.

A recent study by El-Kassar and Singh (2018) has revealed that green innovation is the driver of the organizational performances. The study was conducted to 215 respondents in Middle East and North Africa region including Golf-Cooperation Countries (GCC) with managerial background. The result of the study shows that the green innovation is positively influence the organizational performances. Thus, engaging green innovation may help the business to enhance the performance of the organizational including to gain the competitive advantages in the market.

Another study was conducted by Alhadid and As'ad (2014) in measuring the effect of GI and OP among 143 higher managerial and middle managerial level in Nuqul Group has shown the impact of green innovation on organizational performance. The finding indicates that there is significant relationship between green innovations on organizational performance which the results showing higher impact with positive relationship between variables. The findings of the study revealed that green innovation does have an influence on organizational performance, hence, the researchers propose that organizations implement green innovation, for instance, green investment as it helps to generate substantial saving for all industries in the long term.

H3: There is a relationship between green innovation and organizational performance.

### ***Role of Green Innovation on Green Management Practices and Organizational Performance.***

In the recent world, 21st century is known as the century of environment whereby green technology development comprises an ever-changing range of approaches and resources, from energy production strategies to non-toxic cleaning products has evolved (Green Technology communities, 2020). Kenton (2020) has stated that even though, the technology of eco-friendly products or services are comparatively new, it has attracted an investor due to the rising consciousness of green movement in the market as well as to reduce the environmental degradation and increase performance organization. Alhadid and As'ad (2014) mentioned that 10 out of 31 Jordanian companies are mostly fosters sustainable growth of environmental management through green innovation in organizational performance. The researcher also cited that the greater the level of environmental management in the company, the higher the level of green innovation, which would lead to a greater impact to the organizational performance.

Similar finding by Yusr et al., (2020) revealed in their study that green innovation play a major role on GMPs and OP positively. The study was conducted using SmartPLS3 to 143 employees across Malaysia. Significantly, the obtained result confirms that organisation capability to be innovation matters a great deal in assessing the level of green management practices in the performance of the organization. Therefore, the researchers suggest in order to boost green innovation, organization policy makers should commence with their particular organizations' green innovation capabilities.

H4: There is a role of green innovation in the relationship between green management practices and organizational performance.

### III. Conceptual Framework

As previously stated, organizational performance will be the determine driver that influence the green management practices and green innovation will be the moderating variable of this study. The factors of GMP that will be measured in this study are organizational structure, human resources and innovation capability. The proposed conceptual framework for this study is presented in Figure 1.

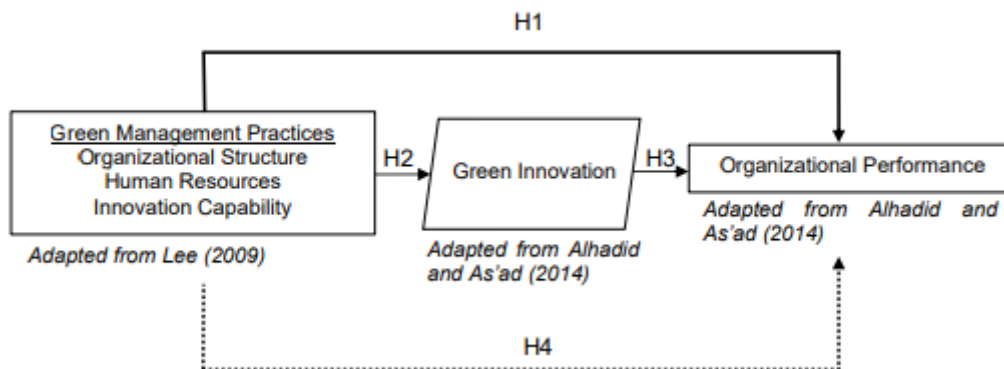


Figure 1: Proposed Framework

### IV. Research Methodology

This research is specifically to investigate the influence of green management practices and green innovation towards organizational performance. Further to examine the role of green innovation in the relationship between GMP and organizational performance. The target respondents of this study are employees in Malayan Banking Berhad in the Central Region. The sample size of this study is determines using the table of determination of sample size (Krejcie & Morgan, 1970) where a total of 140 questionnaire will be personally distributed. An instrument for green innovation will be adopted from Alhadid and As'ad (2014). Meanwhile, instrument for green management practices and organizational performance will be adopted from Lee (2009). Respondents will be asked to indicate the extent of their agreement or disagreement with each statement based on 5 point Likert Scale ranging from 1 (Strongly Disagree), 2 (Disagree), 3 (Neutral), 4 (Agree) and 5 (Strongly Agree).

Furthermore, in this study, a simple random sample technique is used since every employee with a management background from the population has an equal probability of becoming a respondent. The descriptive statistics will be run to summarize the collection of information to present the quantitative analysis in a manageable form. While, the Partial Least Square (PLS) based Structural Equation Modelling (SEM) will be employed for the data analysis; it is especially useful when one dependent variable becomes an independent variable in subsequent relationships and it does not involve assumptions of homogeneity in variances and covariance of the dependent variable.

### V. Conclusion

In essence, the proposed conceptual framework in this study will be used for futures study where the study will be emphasis on the banking industry. The purpose of this study was to look at the influence of green management practices on organizational performance. This study intends to contribute in the preservation of the environment as well as the improvement of organizational performance. Plus, the research will deliver a better understanding perspective of managerial level on the practices of green management and how it helps boost organization's environment agenda along with employee efficiencies and innovation. This is linked to reorganizing existing management and integrating green practices and value management with

the goal of changing how management provides services both inside and outside the organization. These practices also assist the organization in realizing its innovation capability, which contributes to the organization's overall performance. Also, it provides the opportunity for employees to learn the concept and benefit including the understanding of the efficiency of green management practices. The findings of this study were intended to offer insight on approaches to influence the implementation practices of green management and value in the organization. It is necessary for the organization to improve the performance and efficiency of employees and organization by gaining the perception of green management practices. Aside from that, the study will raise environmental awareness by advocating the use of green and environmentally friendly methods.

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