
A STUDY ON GREEN COMPENSATION AND REWARDS: DO INCENTIVES DRIVE SUSTAINABLE EMPLOYEE BEHAVIOR?

*¹Udita Swarnakar, ²Dr. Pratiksha Mishra

¹Amity Business School, Amity University, Chhattisgarh.

²Assistant Professor, Amity University, Chhattisgarh.

Article Received: 26 March 2026, Article Revised: 16 April 2026, Published on: 06 May 2026

*Corresponding Author: Udita Swarnakar

Amity Business School, Amity University, Chhattisgarh.

DOI: <https://doi-doi.org/101555/ijarp.6224>

ABSTRACT

This research paper examines the effectiveness of green compensation and reward systems in influencing environmentally sustainable employee behavior within organizations. Based entirely on primary and secondary data presented in the original dissertation, the study applies the Ability-Motivation-Opportunity (AMO) framework to evaluate how financial and non-financial incentives shape employee engagement in sustainability practices. Data collected from 33 respondents reveal strong positive relationships between reward systems and eco-friendly behaviors such as waste reduction, energy conservation, and participation in environmental initiatives. The study finds that while financial incentives initiate behavioral change, non-financial recognition and intrinsic motivation are more influential for long-term sustainability. The research concludes that green compensation is a strategic tool for aligning organizational goals with employee behavior.

KEYWORDS: Green Compensation, Green Rewards, Sustainable Behavior, GHRM, Employee Motivation.

1. INTRODUCTION

Organizations are increasingly under pressure to adopt sustainable practices due to environmental challenges such as climate change and resource depletion. In this context, Green Human Resource Management (GHRM) has emerged as a critical approach to integrating environmental objectives into HR practices. One key element of GHRM is green compensation and rewards which links employee incentives with environmentally responsible actions.

Green compensation includes both monetary rewards such as bonuses and non-monetary recognition such as awards, appreciation, and career growth opportunities. These incentives aim to encourage behaviors such as reducing waste, conserving energy, and participating in sustainability programs.

This study investigates whether such reward systems effectively drive sustainable employee behavior. It also examines the role of awareness, motivation, and organizational culture in strengthening the impact of green compensation.

2. LITERATURE REVIEW

Green compensation has emerged as a key driver of sustainable organizational performance within the broader framework of Green Human Resource Management (GHRM). Recent research highlights that integrating environmental criteria into compensation and reward systems significantly enhances employee engagement, productivity, and environmental outcomes. Studies show that organizations adopting GHRM practices can achieve productivity gains of 15–20%, increased employee engagement and eco-friendly behavior by around 25%, and improvements in environmental performance of up to 30%. Green compensation systems linking incentives, benefits, and recognition to environmentally responsible actions play a strategic role in encouraging sustainable workplace behavior.

These systems influence employees not only through external rewards but also by fostering environmental passion, which acts as an internal motivator driving pro-environmental behavior. Both financial and non-financial incentives contribute to this effect, while factors such as AI literacy and technological capabilities further enhance the effectiveness of such reward systems. Overall, green compensation creates a reinforcing cycle where employee behavior and organizational sustainability goals align and strengthen each other.

3. RESEARCH METHODOLOGY

This study investigates the impact of green compensation and reward systems on employee behaviour and organizational commitment using a descriptive and analytical research design grounded in the Ability-Motivation-Opportunity (AMO) framework. Primary data were collected through structured questionnaires from 33 working professionals, while secondary data were drawn from recent literature (2024–2026) incorporating perspectives from Self-Determination Theory and Social Exchange Theory.

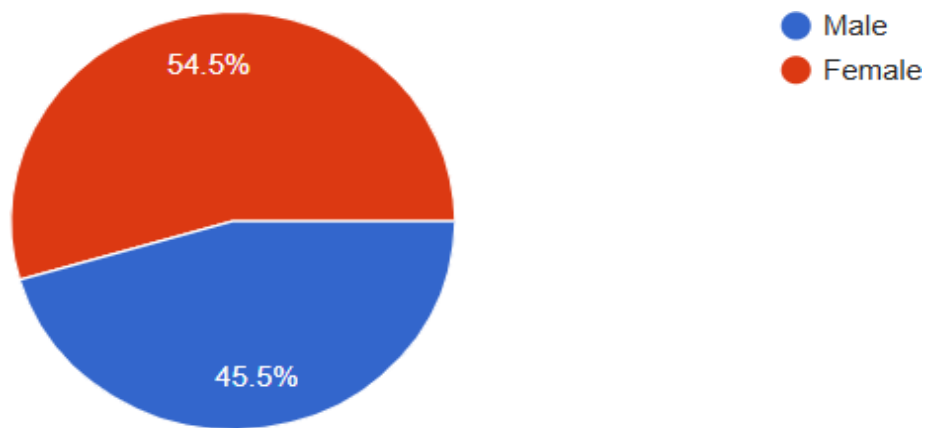
The study employs a five-point Likert scale to measure employee attitudes toward green rewards and analyses the data using percentage analysis and descriptive statistics. Findings aim to evaluate how such reward systems influence sustainable workplace behaviours, motivation, and participation in environmental initiatives. The research also explores key gaps such as the balance between intrinsic motivation and external incentives, ultimately testing whether green compensation significantly drives environmentally responsible behavior and aligns individual performance with organizational sustainability goals.

OBJECTIVES OF THE STUDY

- To examine the concept and importance of green compensation and rewards in organizations.
- To analyze the impact of green rewards on employees' environmentally sustainable behaviour.
- To evaluate whether incentives motivate employees to actively participate in green initiatives.
- To assess employees' awareness of green compensation and sustainability-related incentive programs.

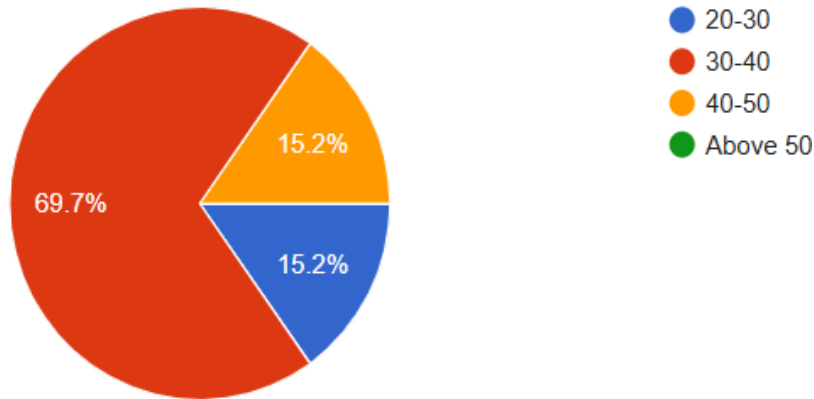
5. DATA ANALYSIS AND INTERPRETATION

1. Gender of the Respondents:



From the 33 respondents it is found that 54.5% of the respondents were Female and the remaining 45.5% of the respondent were Male.

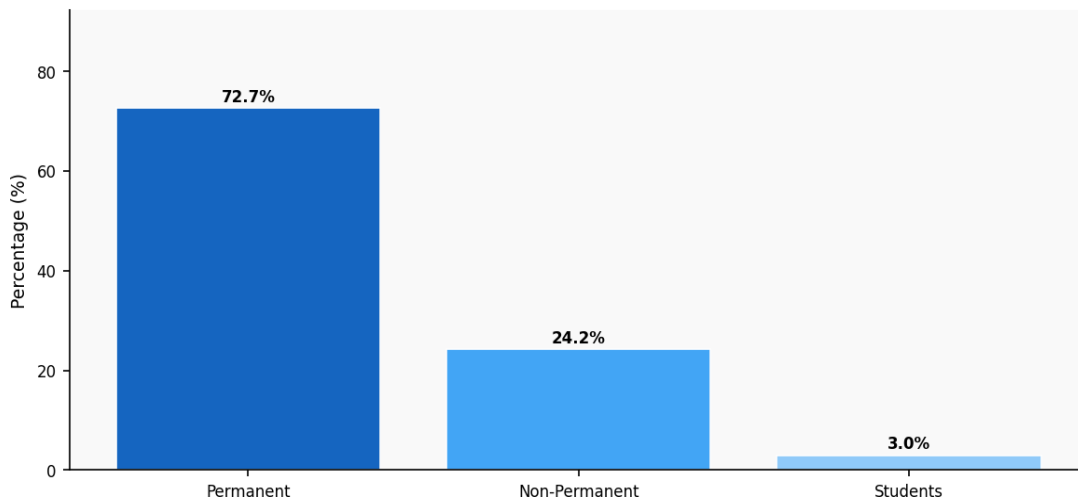
2. Age of the Respondents:



From the 33 respondents it is found that 69.7% of the respondents were from the age Group of 30-40, whereas 15.2% belongs to the age group of 20-30 and the remaining 15.2% of the respondent belong to the age group of 40-50.

3. Employment Status of Respondents

3. Employment of Respondents



Data Table

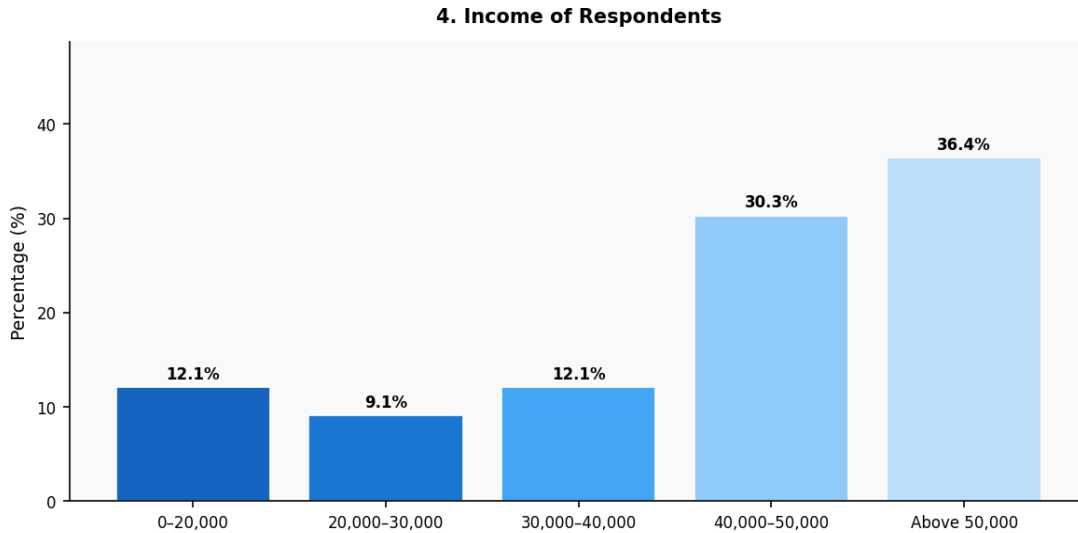
Employment Type	No. of Respondents	Percentage (%)
Permanent Employee	24	72.7%
Non-Permanent Employee	8	24.2%
Students	1	3.0%
Total	33	100%

Interpretation

The majority of respondents (72.7%) are permanent employees, reflecting a stable and experienced workforce. Non-permanent employees account for 24.2%, while students

represent a negligible 3.0%. This distribution suggests that the survey predominantly captures the perspectives of committed, long-term organizational members, lending greater reliability to opinions on green compensation policies.

4: Income Distribution of Respondents



Data Table

Income Range (₹)	No. of Respondents	Percentage (%)
0 – 20,000	4	12.1%
20,000 – 30,000	3	9.1%
30,000 – 40,000	4	12.1%
40,000 – 50,000	10	30.3%
Above 50,000	12	36.4%
Total	33	100%

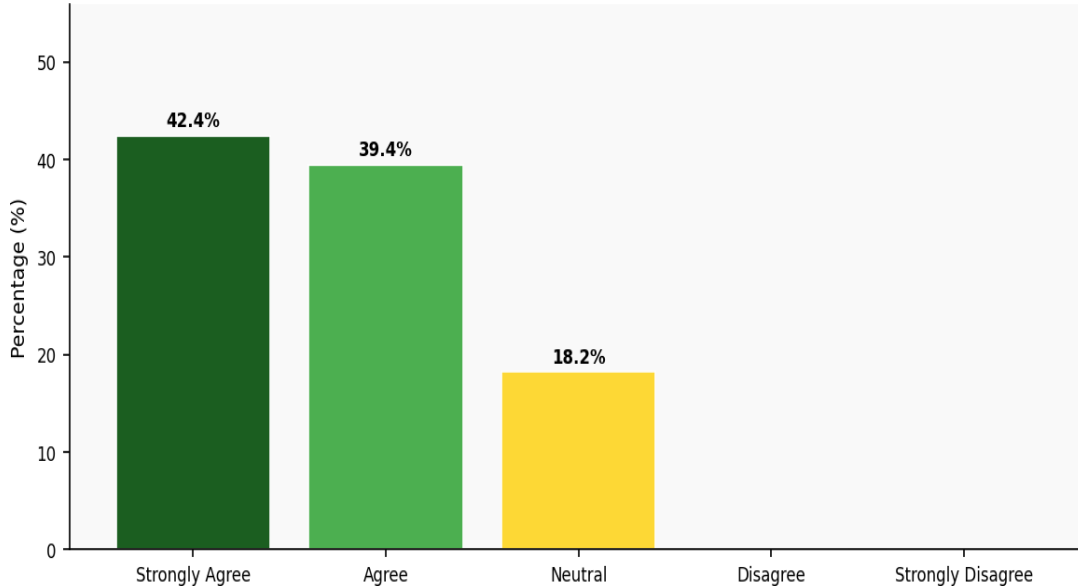
Interpretation

The income distribution skews toward higher earners, with 36.4% earning above ₹50,000 and 30.3% in the ₹40,000–50,000 range. Together, 66.7% of respondents fall in the upper-middle to high income bracket. Lower income segments (below ₹30,000) collectively represent only 21.2% of the sample. This distribution implies that the respondents are largely financially secure professionals, whose views on green rewards may be influenced by intrinsic motivation and organizational culture rather than purely monetary incentives.

Objective – 1 {to examine the concept and importance of green compensation and rewards in organization.}

1. Green compensation means linking employee rewards to environmental goals

Q1.1 Green compensation means linking employee rewards to environmental goals



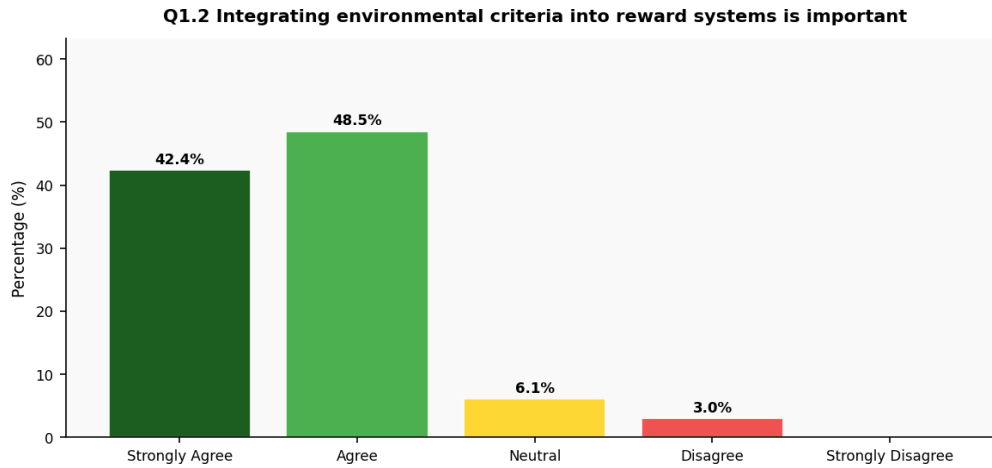
Data Table

Response Category	No. of Respondents	Percentage (%)
Strongly Agree	14	42.4%
Agree	13	39.4%
Response Category	No. of Respondents	Percentage (%)
Neutral	6	18.2%
Disagree	0	0%
Strongly Disagree	0	0%
Total	33	100%

Interpretation

An overwhelming 81.8% of respondents either strongly agree or agree that green compensation is fundamentally about linking rewards to environmental contributions. The complete absence of disagreement indicates broad consensus. This validates the conceptual foundation of green compensation within the surveyed organization.

2. Integrating environmental criteria into reward systems is important



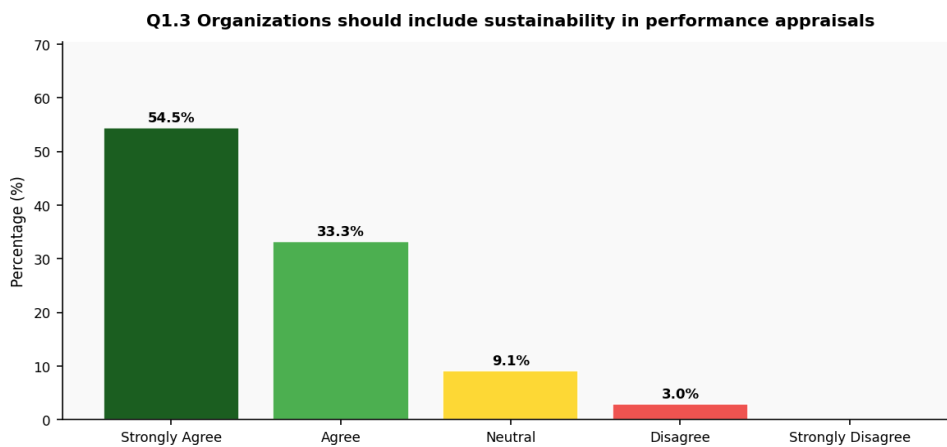
Data Table

Response Category	No. of Respondents	Percentage (%)
Strongly Agree	14	42.4%
Agree	16	48.5%
Neutral	2	6.1%
Disagree	1	3.0%
Strongly Disagree	0	0%
Total	33	100%

Interpretation

A combined 90.9% of respondents affirm the importance of integrating environmental criteria into reward systems. Only 3% disagree, and 6.1% remain neutral. This near-universal agreement underscores growing organizational awareness of the need to embed sustainability into performance measurement frameworks.

3. Organizations should include sustainability in performance appraisals and bonuses



Data Table

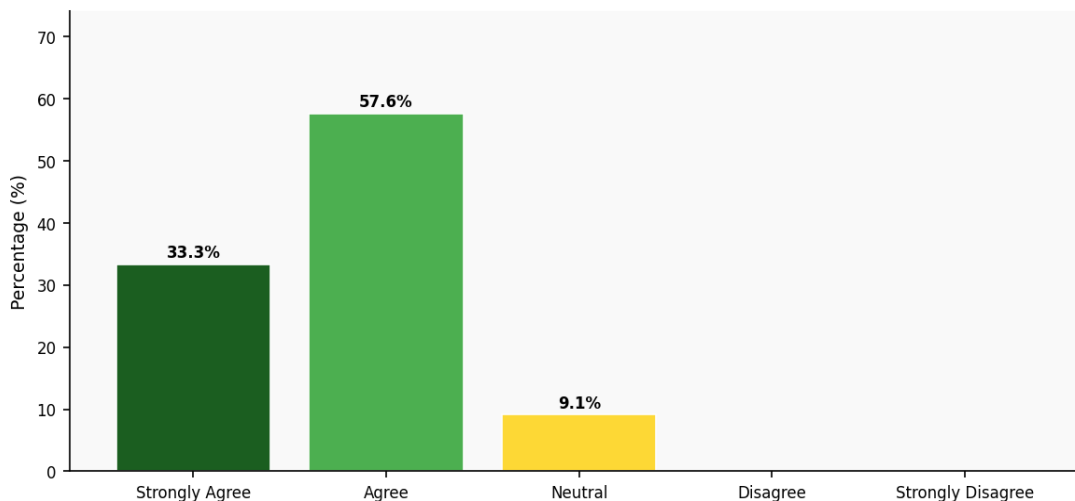
Response Category	No. of Respondents	Percentage (%)
Strongly Agree	18	54.5%
Agree	11	33.3%
Neutral	3	9.1%
Disagree	1	3.0%
Strongly Disagree	0	0%
Total	33	100%

Interpretation

With 87.8% combined agreement (54.5% strongly agree + 33.3% agree), respondents strongly endorse linking sustainability to appraisals and bonuses. The high proportion of strong agreement signals that employees see sustainability not just as a value but as a formal organizational responsibility deserving of recognition.

4. Green rewards help align organizational strategy with environmental responsibility

Q1.4 Green rewards help align strategy with environmental responsibility



Data Table

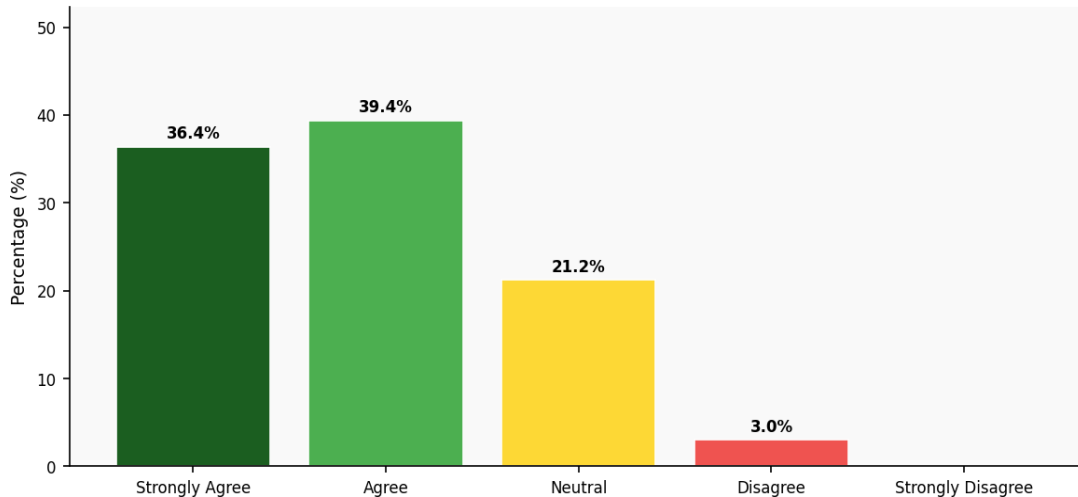
Response Category	No. of Respondents	Percentage (%)
Strongly Agree	11	33.3%
Agree	19	57.6%
Neutral	3	9.1%
Disagree	0	0%
Strongly Disagree	0	0%
Total	33	100%

Interpretation

All 100% of respondents who expressed an opinion agreed that green rewards serve as a bridge between strategy and environmental responsibility (90.9% combined agreement, 9.1% neutral). The complete absence of disagreement reinforces the strategic value employees see in green compensation mechanisms.

5. Compensation systems that ignore environmental behavior are incomplete

Q1.5 Compensation systems ignoring environmental behavior are incomplete



Data Table

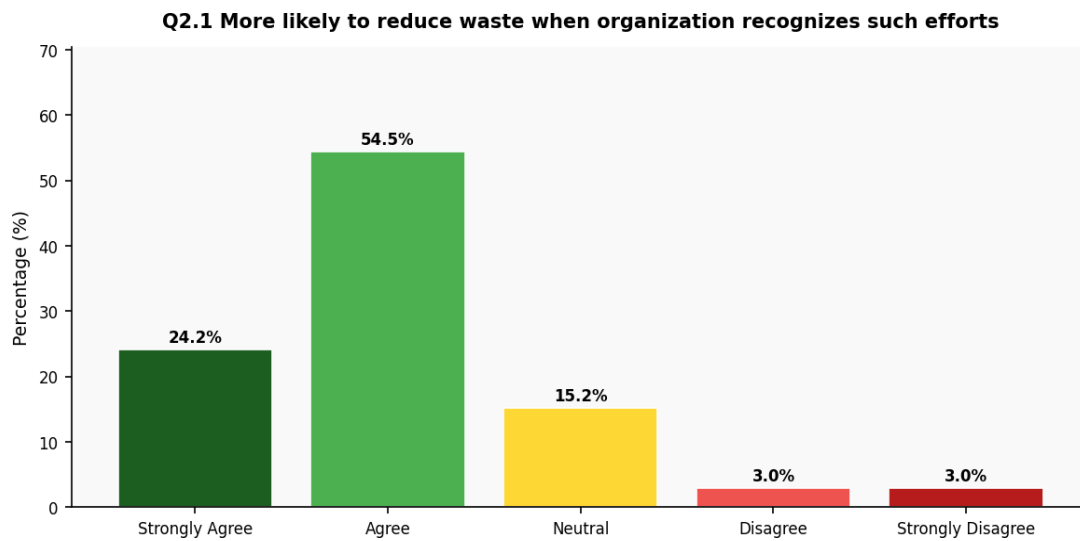
Response Category	No. of Respondents	Percentage (%)
Strongly Agree	12	36.4%
Agree	13	39.4%
Neutral	7	21.2%
Disagree	1	3.0%
Strongly Disagree	0	0%
Total	33	100%

Interpretation

Seventy-five percent of respondents consider traditional compensation systems that disregard environmental behaviour to be incomplete. Though 21.2% remain neutral, the relatively low disagreement (3%) suggests growing awareness. Organizations may need to proactively educate the neutral segment to achieve wider consensus on holistic compensation design.

Objective – 2 {to analyse the impact of green rewards on employee’s environmental sustainable behaviour}

1. More likely to reduce waste when organization recognizes such efforts



Data Table

Response Category	No. of Respondents	Percentage (%)
Strongly Agree	8	24.2%
Agree	18	54.5%
Neutral	5	15.2%
Disagree	1	3.0%
Strongly Disagree	1	3.0%
Total	33	100%

Interpretation

78.7% of respondents indicate that organizational recognition motivates them to reduce workplace waste. The 6% combined disagreement is minimal, though the 15.2% neutral group signals an opportunity. Formal recognition programs for waste reduction could convert neutral respondents into active participants.

6. FINDINGS AND DISCUSSION

The study reveals strong support for green compensation systems. Employees recognize the importance of linking rewards with sustainability goals. Incentives positively influence behaviors such as waste reduction and energy conservation.

Recognition plays a more significant role than financial rewards in sustaining long-term engagement. While extrinsic motivation drives participation, intrinsic motivation ensures consistency.

High awareness levels indicate successful communication; however, gaps in evaluation transparency suggest the need for improved clarity.

7. CONCLUSION

Green compensation and rewards are effective tools for promoting sustainable employee behavior. However, their success depends on a balanced approach that integrates incentives with intrinsic motivation and organizational culture.

Organizations must ensure transparency, fairness, and continuous engagement to achieve long-term sustainability outcomes.

8. RECOMMENDATIONS

The study recommends that organizations strengthen the effectiveness of green compensation systems by ensuring transparency in evaluation criteria, which will build employee trust and improve participation. It highlights the need to actively engage neutral employees through awareness initiatives and simple sustainability practices, while also adopting a balanced reward strategy that combines monetary incentives with non-monetary recognition, in line with the Self-Determination Theory.

Additionally, integrating sustainability into formal performance appraisals and enhancing recognition programs can institutionalize eco-friendly behavior and reinforce employee commitment. For future research, the study suggests conducting longitudinal studies to assess long-term behavioral change, exploring differences across income groups and generations, examining the role of temporary workers, and analyzing how industry-specific factors influence the success of green compensation frameworks

8.1 FUTURE RESEARCH

Future research on green compensation and sustainable HRM should focus on deepening understanding across time, demographics, and contexts. Longitudinal studies are needed to assess whether pro-environmental behaviors persist after rewards are withdrawn, ensuring that observed changes are durable rather than temporary. Comparative analyses across income groups can clarify whether financial incentives hold greater importance for lower-income employees, helping organizations design more equitable reward systems. Expanding research to include both younger (Gen Z) and older employees would provide a more comprehensive view of generational differences in attitudes toward green HRM. Additionally, examining

contract and temporary workers can reveal distinct motivational factors often overlooked in traditional studies. Finally, investigating how industry-specific regulations shape the effectiveness of green compensation frameworks would offer valuable insights into how external policy environments influence organizational sustainability efforts.

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