

Incentivizing Sustainability: Exploring Monetary and Non-Monetary Drivers of Eco-Friendly Behavior in Hospitality

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Abstract

This study investigates how monetary and non-monetary incentives influence environmentally responsible behavior among employees in the Sri Lankan hospitality industry. Data were collected from 383 staff members through a cross-sectional survey and analyzed using Structural Equation Modeling (SEM) to explore the links between incentives and sustainable workplace actions, with a focus on differentiating between in-role and extra-role green behaviors. The findings reveal that both incentive types positively affect Green Employee Behavior (GEB). Monetary rewards, which explain 36.3% of behavioral variance, are most effective in ensuring compliance with formal environmental policies. In contrast, non-monetary incentives are more influential in motivating voluntary, value-driven behaviors that support the cultivation of a long-term sustainable organizational culture. The results highlight the complementary function of these incentive strategies: monetary incentives promote short-term adherence, while non-monetary incentives encourage enduring commitment to eco-friendly practices. These insights offer actionable guidance for managers and policymakers seeking to design incentive systems that simultaneously secure immediate compliance and foster proactive, sustainability-oriented engagement. By adopting such dual-incentive approaches, hospitality firms can enhance their environmental performance while contributing to broader sustainability objectives. The study further enriches the literature by demonstrating the differentiated impact of incentive types on distinct categories of green workplace behaviors.

Keywords: Green employee behavior, Eco-friendly practices, Monetary incentives, Hospitality industry, Sustainability, Non-monetary incentives

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Introduction

Sustainable organizational practices increasingly rely on employees' environmentally responsible behaviors, commonly referred to as Green Employee Behavior (GEB). GEB encompasses actions in the workplace that align with an organization's environmental objectives and has become a critical driver of eco-innovation and sustainable operational practices [1]. Beyond environmental benefits, GEB contributes to Corporate Social Responsibility (CSR) initiatives and enhances organizational competitiveness by improving reputation, attracting customers, and creating market differentiation [2].

The hospitality sector is particularly prone to environmental challenges, including high energy consumption, substantial carbon emissions, and inefficient waste management [3]. For instance, hotels in suburban Colombo generate over 7,000 tons of carbon annually, largely due to reliance on electricity and diesel-based power sources. As one of Sri Lanka's key economic sectors, tourism and hospitality also carry a significant ecological footprint. Globally, tourism is responsible for approximately 5% of carbon emissions, a figure projected to triple by 2035 [4]. Incorporating GEB among employees is thus essential for reducing the environmental impacts of this industry.



Research indicates that Green Human Resource Management (GHRM) practices—such as environmentally focused training, performance evaluations, and reward systems—can positively influence GEB [5]. Incentive mechanisms, both monetary and non-monetary, play a particularly important role. Financial rewards and eco-recognition programs can encourage compliance with environmental policies, while intrinsic motivators, such as personal values and organizational pride, often foster voluntary environmentally conscious behaviors [6]. However, most existing studies have been conducted in Western contexts, and findings may not generalize to countries like Sri Lanka, where cultural and organizational factors can alter incentive effectiveness.

In Sri Lanka, understanding how incentives drive GEB is especially relevant due to three key factors. First, the hospitality sector significantly contributes to the national economy and foreign exchange earnings. Second, its high environmental impact is exacerbated by limited knowledge of effective motivational strategies. Third, sustainable practices are increasingly essential for firms seeking to maintain legitimacy and competitiveness, with GEB forming a central component. While prior research has explored the indirect effects of leadership and GHRM practices on GEB [7], there is limited empirical evidence on how monetary and non-monetary incentives directly shape these behaviors. With Sri Lankan hotels receiving over 1.3 million tourists in 2023 [8], integrating effective incentive structures into daily operations is both an economic and environmental imperative.

This study addresses this gap by investigating how different types of incentives influence GEB within the Sri Lankan hotel industry. The findings provide evidence on how carefully designed reward systems can motivate employees to engage in sustainable behaviors, supporting environmental goals while strengthening the competitive position of hospitality firms.

Critical Literature Review

The researchers conducted a comprehensive review of the literature using well-established academic databases, including Emerald Insight, ScienceDirect, Web of Science, Google Scholar, and ResearchGate. The primary search terms employed were “Hospitality industry,” “Incentives,” and “Eco-friendly behavior.” The literature review begins by examining the study’s dependent variable, Green Employee Behavior (GEB), and subsequently explores the independent variables, focusing on the dimensions of incentives most commonly addressed in prior research, specifically monetary and non-monetary incentives.

Green employee behavior

In the Sri Lankan context, evidence suggests that organizational practices play a central role in shaping employees’ environmentally responsible behaviors. Green Human Resource Management (GHRM) initiatives have been shown to provide a foundation that guides Green Employee Behavior (GEB), promoting alignment with sustainability objectives [9]. Extending this line of inquiry, Ockersz and Arulrajah [10] focused on the banking sector in Batticaloa and demonstrated that a firm’s Corporate Environmental Strategy (CES) can directly stimulate Voluntary Workplace Green Behavior (VWGB). This influence operates through the Psychological Green Climate (PGC), as a well-structured CES cultivates a workplace mindset that encourages employees to voluntarily engage in environmentally friendly practices.

Similarly, research by Sivalingam and Arulrajah [11] highlights the role of Employee Green Behavior as a mediator between Organizational Environmental Support (OES) and Organizational Sustainable Performance (OSP) in Sri Lankan commercial banks. Their findings underscore that fostering GEB within employees can significantly enhance the translation of organizational support into tangible sustainability outcomes.

Comparative evidence from the manufacturing sector provides additional insights. Weerarathna *et al.* [12] reported that employees in manufacturing industries tend to exhibit stronger green behaviors compared to those in service sectors, largely due to the implementation of more structured environmental policies and practices.

Collectively, these studies underscore the importance of cultivating organizational commitment, robust environmental policies, and positive workplace climates as essential mechanisms for promoting GEB across different industries in Sri Lanka.

Green employee behavior in the hospitality industry

In the hospitality sector, which is inherently resource-intensive and where employees serve as the primary interface between hotels—covering functions such as food and beverage, accommodation, and housekeeping—and guests, promoting Green Employee Behavior (GEB) is essential for achieving sustainable operations. As sustainability emerges as a central organizational objective, GEB has gained strategic importance, with corporate reputation increasingly tied to employees’ environmental conduct. Evidence suggests that Green Human Resource Management (GHRM) practices can foster employees’ environmentally responsible behaviors, including Organizational Citizenship Behavior for the Environment (OCBE) [13]. Pham *et al.* [14] further highlight that GHRM initiatives such as green training, performance management, and employee participation influence voluntary green behaviors through both direct and interactional pathways.

The influence of GHRM practices on GEB extends beyond direct effects. Research indicates that leadership accountability and employees’ personal sense of environmental responsibility function as mediating factors in this relationship [13].

Organizational commitment and positive environmental attitudes have also been identified as key drivers of ecological behavior among hospitality employees [15]. Additionally, Corporate Social Responsibility (CSR) initiatives play a supportive role, with employee well-being acting as a mediator and hotels' environmental strategies serving as moderators in enhancing green behaviors [16].

Overall, GEB in the hospitality industry is shaped through a multi-layered framework. GHRM practices, CSR initiatives, and organizational commitment collectively cultivate sustainable employee behaviors, while adherence to environmental regulations and the development of green dynamic capabilities further reinforce these efforts [17]. Moreover, employees' sense of organizational pride and brand citizenship has been linked to GHRM, suggesting that individuals with stronger environmental values are more likely to engage in green behaviors [18].

For Sri Lanka, where tourism and hospitality are key economic pillars, embedding sustainable practices is particularly urgent to meet the Sustainable Development Goals (SDGs) by 2030. Nonetheless, motivating employees to consistently engage in GEB remains challenging, especially in a developing economy where short-term financial objectives often compete with long-term sustainability goals.

In-role green behaviors

In-role green behaviors are defined as environmentally responsible actions that are explicitly mandated within an employee's job responsibilities. Such behaviors include practices like conserving energy, adhering to waste reduction policies, and complying with green operational procedures [19]. Research indicates that these behaviors are largely influenced by clearly defined job expectations and performance-related incentives. For example, Norton *et al.* [20] found that when green responsibilities are well articulated and employees' environmental performance is formally assessed, individuals are more likely to consistently engage in in-role green behaviors. Similarly, Bissing-Olson *et al.* [19] demonstrated that employees who perceive strong organizational support and access to necessary resources exhibit higher tendencies to perform these in-role green actions. This effect is particularly pronounced when employees feel confident in their ability to fulfill such responsibilities, highlighting the role of self-efficacy. Overall, a supportive organizational environment that combines clear expectations, appropriate resources, and reinforcement mechanisms encourages adherence to the environmentally oriented tasks embedded within formal job roles.

Extra-role green behaviors

Extra-role green behaviors represent voluntary, discretionary actions that employees take beyond the scope of their formal duties. These may include encouraging coworkers to adopt environmentally friendly practices or proposing measures to reduce the organization's ecological footprint [19]. Such behaviors contribute to the long-term embedding of sustainability within the organization and often generate intrinsic satisfaction, sometimes described as a "warm glow" effect. Unlike in-role behaviors, these actions are not mandated, and their occurrence depends largely on employees' internal motivation and the degree of support provided by the organizational environment. Research shows that initiatives such as environmental training and leadership committed to sustainability can substantially foster extra-role green behaviors by nurturing a culture that values ecological responsibility [21]. Furthermore, leadership approaches that emphasize ethical conduct with a focus on environmental concerns, combined with a psychologically supportive green climate, have been found to enhance employees' engagement in voluntary sustainability efforts [7]. Overall, cultivating ethical, environmentally conscious leadership and a positive organizational climate appears crucial for encouraging employees to go beyond required tasks and actively contribute to their organization's green objectives.

Monetary incentives

Employee attitudes play a central role in shaping workplace behavior, aligning closely with organizational greening strategies. Numerous studies have highlighted the significant influence of monetary incentives on fostering Green Employee Behavior (GEB). Evidence suggests that Green Human Resource Management (GHRM) practices, particularly those involving financial rewards, enhance brand citizenship behavior and organizational pride among hospitality employees [18]. In Bangladesh, green compensation schemes have been shown to substantially encourage environmentally responsible actions among hotel staff [22]. Similarly, research by Nisar *et al.* [2] indicates that GHRM practices encompassing green performance management and financial incentives strengthen employees' pro-environmental attitudes and behaviors. In the Ukrainian context, tangible rewards such as salary increases and bonuses were found to significantly reinforce sustained green behaviors [23]. Overall, monetary rewards consistently emerge as strong predictors of pro-environmental behavior (PEB) in the workplace [6].

The effectiveness of monetary incentives is supported by established motivation theories. Vroom's [24] expectancy theory posits that individuals are driven to act when they believe their efforts will yield desired outcomes, suggesting that linking green behavior to financial rewards can effectively induce sustainable practices. Similarly, Skinner's [25] reinforcement theory emphasizes that behaviors followed by positive outcomes are likely to be repeated, further validating the use of monetary rewards to promote environmentally friendly actions.

Research also demonstrates that framing information around monetary benefits or environmental outcomes can positively influence employees' long-term pro-environmental intentions, with environmental framing fostering intrinsic motivation [26]. Programs that share environmental benefits within hotels have been shown to encourage PEB, indicating that financial incentives, when combined with broader sustainability strategies, can effectively motivate eco-friendly behaviors [27].

Based on this evidence, the study hypothesizes:

H1: Monetary incentives are positively associated with the adoption of Green Employee Behavior in the Sri Lankan hospitality industry.

Non-monetary incentives

A growing body of research highlights the important role of non-monetary incentives in promoting Green Employee Behavior (GEB) across various sectors. Evidence suggests that mechanisms such as social norm feedback, status recognition, and eco-awards can sometimes be more effective than financial rewards in encouraging environmentally responsible actions, particularly for behaviors that employees are less intrinsically motivated to perform [28, 29]. For instance, recognition programs and public praise have been found to significantly enhance pro-environmental behaviors among university employees, fostering organizational citizenship and improving overall job satisfaction [6]. Similarly, Ioannou *et al.* [30] reported that non-monetary incentives were associated with reduced carbon emissions, while monetary rewards occasionally undermined intrinsic motivation for pro-social behavior. In low-willingness contexts, such as recycling initiatives, non-financial incentives were particularly effective, often mediated by employees' sense of environmental responsibility [28].

The theoretical foundations for non-monetary incentives are anchored in Self-Determination Theory [31], which posits that fulfilling individuals' needs for autonomy, competence, and relatedness stimulates intrinsic motivation. Non-monetary rewards—such as praise, recognition, and opportunities for participation—can provide employees with a sense of purpose and belonging, encouraging voluntary engagement in green practices. Maslow's Hierarchy of Needs similarly supports this perspective, suggesting that once basic needs are satisfied, employees are motivated by psychological and self-actualization factors, which can be addressed through non-financial incentives.

Non-monetary interventions, including social norm messaging and green defaults, have proven effective in promoting energy conservation at the household and organizational levels, enhancing intrinsic motivation and benefiting both employees and employers [29, 32]. Within the hospitality sector, initiatives such as green training, development programs, and environmentally focused performance appraisals have demonstrated substantial effects on GEB [22]. Moreover, CSR activities, particularly those that enhance employee well-being, have been shown to strengthen environmentally responsible behaviors [16]. Leadership approaches emphasizing Environmental-Based Ethical Leadership and green transformational leadership foster a psychological climate conducive to GEB, with organizational support functioning as a critical mediator [7]. Collectively, these findings illustrate that non-monetary incentives, when combined with supportive leadership, CSR practices, and organizational backing, cultivate a workplace culture that reinforces sustainable behaviors in hospitality employees.

Based on this evidence, the study hypothesizes:

H2: Non-monetary incentives are positively associated with the adoption of Green Employee Behavior in the Sri Lankan hospitality industry.

This research focuses on both monetary and non-monetary incentives because they are widely applied and practically implementable tools for managers seeking to influence employee behavior [33, 34]. While broader factors such as regulatory frameworks or cultural norms are important, they are less controllable at the managerial level. Incentive systems, however, can strategically leverage both extrinsic motivation—through financial rewards—and intrinsic motivation—through recognition, praise, and developmental opportunities—aligning with Self-Determination Theory [35]. Such an approach effectively encourages both in-role and extra-role green behaviors.

Despite substantial research on incentives and GEB, most studies have been conducted in developed or Western contexts, leaving limited understanding of their effectiveness in developing economies, particularly within South Asian hospitality industries [22]. Furthermore, few studies have empirically compared the influence of incentives on in-role versus extra-role green behaviors in this sector. This study addresses these gaps by examining the relative impact of monetary and non-monetary incentives on GEB in Sri Lanka's hospitality industry, contributing region-specific insights to the global literature on sustainability and human resource management.

Cultural dimensions & employee incentives

Cultural factors significantly influence how employees perceive and respond to incentive systems. According to Hofstede [36], in collectivist societies with high power distance, such as Sri Lanka, employees may react differently to rewards compared to those in individualistic cultures. In these contexts, monetary incentives often align with hierarchical norms and formal expectations for compensation. Conversely, non-monetary incentives—such as recognition, a sense of belonging, or participation in community-oriented CSR initiatives—may resonate more strongly with collectivist values and encourage

discretionary, extra-role green behaviors. Despite these potential cultural effects, research examining how cultural context moderates the effectiveness of incentive programs in promoting Green Employee Behavior remains limited.

Conceptual framework

The hospitality industry is widely acknowledged as a major source of environmental strain, largely due to its intensive use of energy, water, and disposable materials [37]. As a result, promoting environmentally responsible behaviors among employees has become an urgent priority. Research shows that Green Human Resource Management (GHRM) practices can encourage sustainable conduct and strengthen Brand Citizenship Behavior (BCB) among staff [38]. Employees' personal green values and a sense of pride in their organization further enhance the effectiveness of these initiatives, while individual environmental attitudes and organizational commitment serve as critical drivers of Green Employee Behavior [15].

In Sri Lanka, these patterns are reflected in recent empirical studies. Investigations in Colombo's five-star hotels revealed that structured sustainability training significantly increases staff participation in green practices. Both monetary and non-monetary rewards were found to boost motivation, with recognition programs and career development opportunities being particularly influential [39]. Similarly, research in the Polonnaruwa region indicated that employees with higher educational attainment engaged more actively in resource-saving practices and encouraged colleagues to adopt sustainable behaviors [40]. A theoretical model of GHRM tailored to Sri Lanka's tourism sector highlights the importance of integrating multiple HRM interventions—such as environmentally focused recruitment, training, and performance evaluation—to create a work environment that fosters sustainable behaviors among employees [41].

Overall, these findings point to the need for a comprehensive approach in Sri Lanka's hospitality industry that combines financial and non-financial incentives with effective GHRM practices. Such a strategy can help cultivate a workforce that is not only environmentally aware but actively committed to implementing sustainable practices.

Building on this evidence, the study proposes the conceptual model illustrated in **Figure 1**.

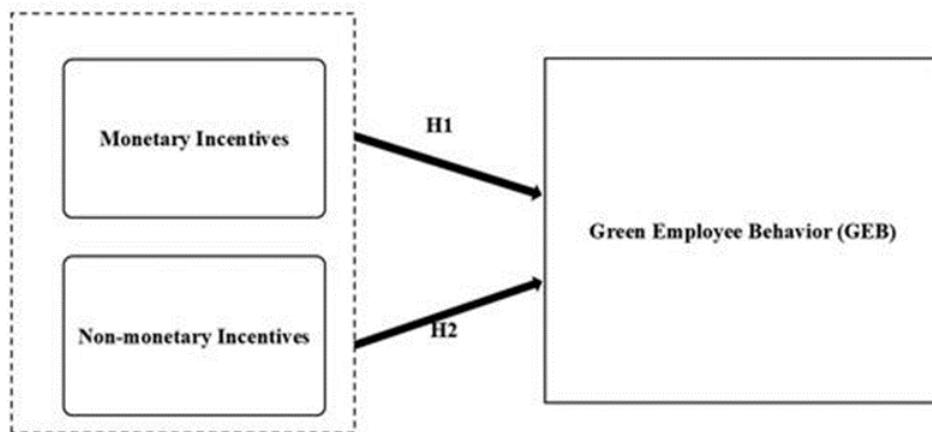


Figure 1. Conceptual framework diagram. Source: Generated by authors (2025)

Data & Methodology

Research study

This study adopts a deductive research approach to examine the impact of monetary and non-monetary incentives on Green Employee Behavior (GEB) in the Sri Lankan hospitality industry. Ethical approval was obtained from SLIIT Business School (CRP/2024/32), and the study was conducted in accordance with the Declaration of Helsinki. All participants provided written informed consent after being briefed on the study's objectives, confidentiality of responses, and their right to withdraw at any stage prior to data anonymization. No incentives were offered for participation.

The deductive approach was chosen because the study's hypotheses are grounded in established theories and supported by prior empirical evidence [42]. In quantitative research, this approach facilitates hypothesis testing, often through null hypothesis significance testing [43]. A cross-sectional survey design was employed, using structured questionnaires specifically developed to capture the effects of incentives on GEB. Convenience sampling, a non-probability method, was used to gather data from hotel employees in Sri Lanka's Western Province. This region was selected due to its representativeness, encompassing approximately 19% of hotels with environmental certifications, making it suitable for examining sustainability practices [44].

The final sample consisted of 383 respondents, calculated using a sample size calculator to ensure a 95% confidence level with a 5% margin of error, optimizing accuracy while maintaining feasibility. Independent variables were defined as monetary and non-monetary incentives, while GEB served as the dependent variable. Monetary incentives included financial rewards,

bonuses, and salary increments, whereas non-monetary incentives encompassed recognition and environmental awards [45]. GEB was conceptualized along two dimensions: in-role green behavior, referring to employees fulfilling environmentally responsible duties, and extra-role green behavior, capturing voluntary actions beyond formal job requirements [19]. The questionnaire was developed in both English and Sinhala to enhance accessibility. Data were collected through online surveys and printed QR codes distributed to employees. Responses were recorded on a five-point Likert scale. To ensure reliability and validity, a pilot test was conducted with 21 hotel employees, and academic experts reviewed the instrument to confirm content validity. The pilot assessment evaluated clarity, consistency, and appropriateness of items before full deployment. Measures to minimize response bias included voluntary participation, anonymity assurances, and explicit disclosure that the data would be used solely for research purposes.

Reliability was assessed using Cronbach's Alpha, with a threshold of 0.7 for acceptable internal consistency [46]. Convergent and discriminant validity analyses confirmed that questionnaire items accurately reflected the theoretical constructs. Data analysis was performed using SmartPLS 4.1.0.9, employing Partial Least Squares Structural Equation Modeling (PLS-SEM) to simultaneously assess measurement and structural models. PLS-SEM is particularly suited for handling latent variables and their direct and indirect effects on GEB, does not require strict normality assumptions, and is appropriate for predictive or exploratory studies with smaller sample sizes. Model evaluation included reliability, validity, multicollinearity (VIF), and fit indices such as SRMR. Special attention was paid to minimum sample size requirements and bootstrapping procedures to ensure robustness of results.

Results

Descriptive findings

Table 1 summarizes the descriptive statistics for the study's key constructs: Non-Monetary Incentives (NI), Monetary Incentives (MI), and Green Employee Behavior (GEB), which is further divided into In-Role Green Behavior (IGEB) and Extra-Role Green Behavior (EGEB). The mean scores for these variables ranged from 3.044 to 4.611, suggesting generally favorable perceptions among respondents. Standard deviations fell between 0.590 and 0.799, reflecting a relatively tight clustering of responses around the averages.

These results indicate that employees in the Sri Lankan hospitality industry tend to share similar viewpoints regarding the role of incentives in promoting environmentally responsible behaviors. The moderate-to-low dispersion implies minimal extreme responses or outliers, highlighting a consensus in perceptions. Practically, this uniformity suggests that the effectiveness of monetary and non-monetary incentives, as well as engagement in in-role and extra-role green behaviors, is recognized consistently across participants, strengthening confidence in the reliability of the observed patterns.

Table 1. Descriptive findings for the survey items.

Item	Mean	Median	Min	Max	Standard Deviation
MI1	3.742	4	1	5	0.637
MI2	3.841	4	1	5	0.590
MI3	3.044	3	1	5	0.727
MI4	3.760	4	1	5	0.662
MI5	3.705	4	1	5	0.711
MI6	3.749	4	1	5	0.719
NI7	3.836	4	1	5	0.671
NI8	3.893	4	1	5	0.799
NI9	3.916	4	1	5	0.721
NI10	3.945	4	1	5	0.722
NI11	3.919	4	1	5	0.772
IGEB12	4.384	4	1	5	0.727
IGEB13	4.418	5	1	5	0.746
IGEB14	4.433	5	1	5	0.737
EGEB15	4.462	5	1	5	0.714
EGEB16	4.209	4	1	5	0.673
EGEB17	4.611	5	1	5	0.746

Source: generated by authors based on Smart PLS (2025).

The analysis of monetary incentives (MI1–MI6) reveals relatively consistent responses, with mean scores ranging from 3.044 to 3.760 and a median of 4. This pattern suggests that employees generally perceive financial rewards as effective in promoting Green Employee Behavior (GEB). Among the items, MI3 recorded the lowest mean of 3.044 (SD = 0.727), indicating some variability in how employees value specific monetary incentives, potentially reflecting differences in reliance on financial motivation.

Non-monetary incentives (NI7–NI11) received slightly higher mean ratings, ranging from 3.836 to 3.945, with medians also at 4, suggesting a more favorable overall perception compared to monetary rewards. However, NI8 showed the greatest

dispersion ($SD = 0.799$), indicating that employee perceptions of this incentive varied considerably, possibly due to individual differences in career priorities or personal appreciation of recognition. These results underscore the importance of both monetary and non-monetary incentives in shaping GEB, while highlighting that intrinsic motivators may have a more enduring influence on employees' commitment to sustainability. The observed heterogeneity further implies that incentive strategies should be tailored to maximize engagement and effectiveness across diverse employee preferences.

Regarding Green Employee Behavior, in-role behaviors (IGEB12–IGEB14) demonstrated high levels of endorsement, with means ranging from 4.384 (IGEB12, $SD = 0.727$) to 4.433 (IGEB14, $SD = 0.737$), and median scores consistently at 5. This indicates strong compliance with environmentally responsible practices embedded in job roles. Extra-role behaviors (EGEB15–EGEB17) received the highest mean ratings, peaking at 4.611 (EGEB17, $SD = 0.746$), with medians also at 5, reflecting strong agreement with voluntary and proactive environmental contributions.

Overall, the findings indicate positive employee perceptions of both monetary and non-monetary incentives, with non-monetary incentives appearing particularly influential. Extra-role green behaviors were viewed most favorably, suggesting their critical role in supporting organizational sustainability. These insights provide a foundation for understanding how different types of incentives relate to in-role and extra-role GEB and offer practical guidance for designing effective strategies to foster environmentally responsible behavior in the workplace.

Measurement model validation

The measurement model was assessed by examining factor loadings, internal consistency reliability, convergent validity, discriminant validity, and potential multicollinearity to ensure the quality and robustness of the data.

Factor loadings

The measurement model was further examined to address the relatively lower factor loadings observed for EGEB16 (0.641) under GEB and MI3 (0.541) under MI, as shown in **Table 4**. Although a loading of 0.70 or higher is typically preferred to ensure strong indicator reliability, Hair *et al.* [47] note that items with loadings between 0.50 and 0.69 can be retained when they do not undermine the overall validity of the construct. To evaluate their impact, several robustness checks were conducted, including the calculation of Average Variance Extracted (AVE), Composite Reliability (CR), the Fornell-Larcker criterion, and the Heterotrait-Monotrait (HTMT) ratio. These analyses confirmed that the inclusion of EGEB16 and MI3 did not compromise the reliability or validity of the model. Both constructs demonstrated AVE and CR values above 0.70, indicating that a substantial proportion of the variance was explained by the latent constructs [48]. Discriminant validity was also maintained, with Fornell-Larcker and HTMT values well within acceptable thresholds [49].

A comparison of the model with and without EGEB16 and MI3 showed negligible differences in fit indices, suggesting that their removal would not meaningfully improve the model. Given their theoretical relevance and contribution to construct completeness, both items were retained. This approach aligns with Hulland [50], who recommends keeping moderately loaded indicators when they provide meaningful information for the construct. Consequently, the measurement model is both statistically sound and theoretically coherent, supporting the inclusion of these items despite their slightly lower loadings.

Reliability statistics

To evaluate the internal consistency of the study constructs, Cronbach's alpha coefficients were calculated. The results indicate that all constructs exhibit strong reliability. Green Employee Behavior (GEB) achieved an alpha of 0.918, while Monetary Incentives (MI) and Non-Monetary Incentives (NI) scored 0.879 and 0.882, respectively. These values exceed the conventional 0.70 benchmark, demonstrating that the items within each construct consistently measure the intended concept [51]. The particularly high alpha for GEB suggests excellent consistency for a behavioral measure, which is important given the potential variation in individual employee perceptions. Similarly, MI and NI show reliable item responses, indicating that participants consistently evaluated both financial and non-financial incentive measures.

As presented in **Table 2**, these outcomes confirm that the constructs possess sufficient reliability to support further statistical analyses. According to Tavakol and Dennick [51], alpha values from 0.70 to 0.90 indicate good internal consistency, while values above 0.90 reflect exceptional reliability without redundancy. Overall, these results demonstrate that the constructs are robust and suitable for inclusion in subsequent model testing.

Table 2. Reliability statistics for the measurement model validation in the main survey

Construct	Cronbach's Alpha
Green Employee Behavior	0.918
Monetary Incentives	0.879
Non-monetary Incentives	0.882

Source: generated by authors based on Smart PLS (2025)

AVE statistics

Average Variance Extracted (AVE) was examined to assess the convergent validity of the measurement model, as it reflects the proportion of variance captured by a construct relative to measurement error. **Table 3** presents the AVE values for all constructs, demonstrating satisfactory convergent validity. Green Employee Behavior (GEB) exhibited an AVE of 0.714, surpassing the recommended 0.50 threshold, indicating that the construct accounts for more than half of the variance in its indicators. Monetary Incentives (MI) and Non-Monetary Incentives (NI) recorded AVE values of 0.628 and 0.680, respectively, both exceeding the benchmark and confirming strong convergent validity. These results indicate that the constructs reliably capture the underlying theoretical concepts and support the overall robustness and validity of the measurement model.

Table 3. AVE statistics for the convergent validity in measurement model validation

Construct	Average Variance Extracted (AVE)
Green Employee Behavior	0.714
Monetary Incentives (MI)	0.628
Non-monetary Incentives (NI)	0.680

Source: generated by authors based on Smart PLS (2025).

The Cronbach's Alpha, Composite Reliability (CR), AVE, and Outer Loadings for the measurement model constructs are shown in **Table 4**.

Table 4. Factor loadings and construct reliability and validity for main model

Construct	Item	Outer Loading	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
Green Employee Behavior (GEB)			0.918	0.932	0.714
	IGEB12	0.885			
	IGEB13	0.899			
	IGEB14	0.896			
	EGEB15	0.900			
	EGEB16	0.641			
	EGEB17	0.819			
Monetary Incentives (MI)			0.879	0.906	0.628
	MI1	0.832			
	MI2	0.838			
	MI3	0.541			
	MI4	0.846			
	MI5	0.845			
	MI6	0.808			
Non-monetary Incentives (NI)			0.882	0.887	0.680
	NI7	0.758			
	NI8	0.845			
	NI9	0.848			
	NI10	0.849			
	NI11	0.820			

Source: Authors generated through Smart PLS.

Discriminant validity test

Discriminant validity of the measurement model was assessed using the Fornell-Larcker criterion, cross-loadings, and the Heterotrait-Monotrait (HTMT) ratio [46]. In this study, the HTMT ratio was primarily employed to evaluate the distinctiveness of constructs by examining the correlations between different latent variables.

As shown in **Table 5**, the HTMT results indicate satisfactory discriminant validity. The HTMT ratio between Green Employee Behavior (GEB) and Monetary Incentives (MI) was 0.616, while the ratio between GEB and Non-Monetary Incentives (NI) was 0.608, both well below the commonly accepted threshold of 0.85. The HTMT value between MI and NI was 0.879, slightly above 0.85 but within the more conservative upper limit of 0.90. According to Henseler *et al.* [49], values below 0.85 indicate strong discriminant validity, whereas ratios up to 0.90 may be acceptable in cases where constructs are theoretically expected to be closely related. The marginally higher correlation between MI and NI aligns with the conceptual framework, reflecting that while both serve as motivators, they represent distinct types of incentives. Overall, these results confirm that the constructs are sufficiently distinct, providing strong evidence of discriminant validity and reinforcing the robustness of the measurement model.

Table 5. HTMT ratio for the discriminatory validity in measurement model validation

	GEB	MI	NI
GEB			
MI	0.616		

Source: generated by authors based on Smart PLS (2025).

Collinearity evaluation within the measurement model

To check for possible multicollinearity among the indicators, Variance Inflation Factor (VIF) values were computed in SmartPLS (**Table 6**). As recommended by Hair *et al.* [47], VIF values below 5.0 signal the absence of critical collinearity, while values above this level may point to potential problems. In the current study, all VIF scores fell between 1.301 and 4.028—clearly below the 5.0 cutoff.

More specifically: EGE indicators: 1.592–3.74 IGEB indicators: 3.729–4.02 MI indicators: 1.301–2.436 NI indicators: 1.719–2.324

Although a few values came close to 4.0, none exceeded the conservative threshold of 5.0. This indicates that collinearity is not an issue in the measurement model. Consequently, the indicators of each construct do not share excessive common variance, providing further evidence of the model's reliability and validity [47]. Full results are shown in **Table 6**.

Table 6. Variance inflation factor (VIF) for the main model.

Indicator	Construct	VIF
EGEB15	Ethical Green External Belief	3.741
EGEB16	Ethical Green External Belief	1.592
EGEB17	Ethical Green External Belief	2.194
IGEB12	Instrumental Green External Benefit	3.729
IGEB13	Instrumental Green External Benefit	3.788
IGEB14	Instrumental Green External Benefit	4.028
MI1	Motivational Incentives	2.334
MI2	Motivational Incentives	2.238
MI3	Motivational Incentives	1.301
MI4	Motivational Incentives	2.436
MI5	Motivational Incentives	2.385
MI6	Motivational Incentives	2.195
NI7	Normative Incentives	1.719
NI8	Normative Incentives	2.303
NI9	Normative Incentives	2.324
NI10	Normative Incentives	2.240
NI11	Normative Incentives	2.324

Source: Generated through SmartPLS (2025).

Structural model validation

To evaluate the structural model and determine the strength and significance of relationships between latent variables, the study applied bootstrapping with 5,000 subsamples at a 0.05 significance level. This procedure generated path coefficients (β), t-statistics, p-values, effect sizes (f^2), and other relevant indicators for the paths from incentives to green employee behavior (GEB).

As presented in **Table 7**, monetary incentives (MI) exhibited a moderately strong positive effect on GEB ($\beta = 0.376$, $t = 4.548$, $p = 0.000$). The t-value far exceeds the critical threshold of 1.96, confirming statistical significance at the 99.9% confidence level. Although the effect size is small ($f^2 = 0.083$), MI clearly has a stronger influence on GEB than non-monetary incentives, underscoring the practical value of financial rewards in driving environmentally responsible behavior among employees in Sri Lanka's hospitality sector.

Non-monetary incentives (NI) also showed a significant positive relationship with GEB ($\beta = 0.260$, $t = 3.184$, $p = 0.001$), again surpassing the critical t-value of 1.96. While the association is statistically robust, both the path coefficient and effect size ($f^2 = 0.040$) are smaller than those of monetary incentives, indicating a comparatively weaker but still meaningful contribution to fostering green employee behavior.

Taken together, the significant path coefficients, adequate effect sizes, explanatory power, predictive relevance, and overall model fit indices demonstrate that the structural model is robust and theoretically sound. These results highlight that monetary incentives are the more powerful driver of green employee behavior, yet non-monetary incentives also play a valuable supportive role in promoting sustainability practices in the workplace.

Table 7. Path coefficients for the structural model validation in the main model

Path Relationship	Path Coefficient (β)	t-statistic	p-value	Significance
Monetary Incentives → Green Employee Behavior	0.376	4.548	0.000	***
Non-monetary Incentives → Green Employee Behavior	0.260	3.184	0.001	**

Source: generated by authors based on Smart PLS (2025)

The structural model yielded an R^2 value of 0.363 for Green Employee Behavior (GEB), meaning that monetary incentives (MI) and non-monetary incentives (NI) jointly explain 36.3% of the variance in GEB. This level of explanatory power is considered moderate to substantial in PLS-SEM studies and confirms that the two incentive constructs are relevant and meaningful predictors of employees' green behavior.

The model also demonstrates strong predictive relevance, as evidenced by a Q^2 value of 0.344 (well above 0), indicating that the model's high out-of-sample predictive accuracy. Furthermore, the Standardized Root Mean Square Residual (SRMR) was 0.062, which is below the conservative cutoff of 0.08, confirming excellent model fit and negligible discrepancy between the observed and model-implied correlation matrices.

As illustrated in **Figure 2**, both MI and NI exert positive and statistically significant effects on GEB, with monetary incentives displaying a noticeably stronger impact. Collectively, the satisfactory explanatory power (R^2), robust predictive relevance (Q^2), and good model fit (SRMR) establish the structural model as reliable and valid. These results offer clear practical guidance for hospitality managers in Sri Lanka, highlighting the importance of well-designed incentive systems—particularly those incorporating financial rewards—to effectively promote environmentally responsible behavior among employees.

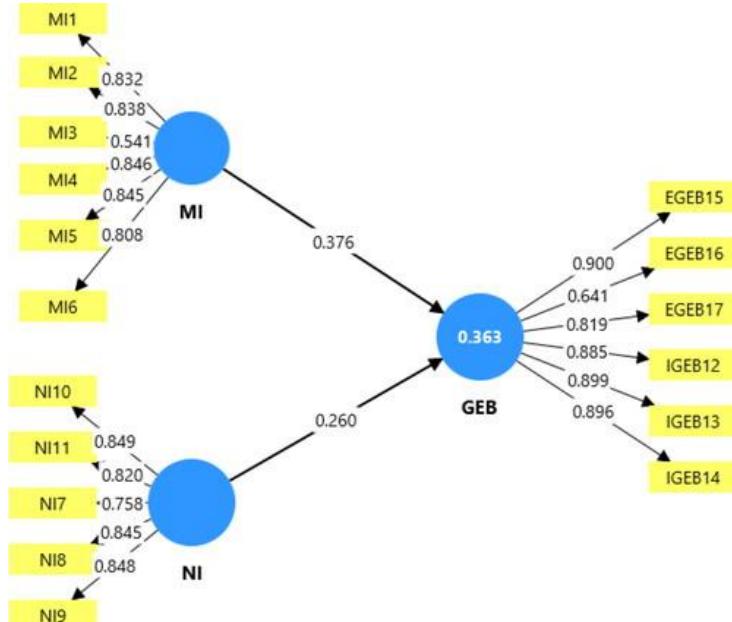


Figure 2. Structural model results. Source: generated by authors based on Smart PLS (2025).

Discussion

This study investigated the influence of monetary incentives (MI) and non-monetary incentives (NI) on green employee behavior (GEB) in Sri Lanka's hospitality sector, with particular attention to both in-role and extra-role green actions. The results strongly supported the two proposed hypotheses: monetary incentives significantly predict GEB (H1 supported), and non-monetary incentives also exert a significant positive effect on GEB (H2 supported). These findings highlight the critical role that targeted incentive systems play in advancing organizational sustainability goals.

Monetary incentives emerged as the stronger driver of GEB and exhibited high statistical significance. This outcome aligns with prior research showing that financial rewards effectively encourage employees to meet organizational environmental targets, especially in structured settings [52]. Similarly, Ali *et al.* [53] emphasized the importance of monetary rewards in fostering green innovation and improving environmental performance in competitive industries. Performance-contingent bonuses and pay linked to ecological KPIs provide immediate, tangible motivation that ensures task compliance and alignment with sustainability objectives.

At the same time, non-monetary incentives demonstrated a significant, albeit smaller, positive relationship with GEB. Recognition schemes, career advancement opportunities, and a supportive green organizational culture proved effective in sustaining long-term employee engagement with environmental initiatives. These results corroborate Joseph and Jose [54], who linked intrinsic motivators to deeper psychological ownership of sustainability, as well as Yeşiltaş *et al.* [55], who found that green culture and intrinsic rewards strongly promote voluntary environmental behaviors. Descriptive statistics further revealed that employees assigned higher mean scores and more consistent scores to non-monetary incentives, reflecting a particularly favorable perception of intrinsic motivators. Together, these insights support the balanced incentive framework advanced by Li *et al.* [56], in which monetary rewards drive short-term compliance while non-monetary rewards stimulate enduring commitment and innovation.

Extra-role green behaviors received the highest mean scores among all GEB dimensions, indicating that employees willingly engage in voluntary actions such as initiating green projects or advocating eco-friendly practices. This pattern reflects strong value congruence with organizational sustainability goals. Bazaraa *et al.* [57] attribute such discretionary effort to the “warm-glow” effect generated by participation and recognition programs, whereas Liu and Liu [58] and Chang *et al.* [59] stress that linking professional development to green initiatives markedly increases employees’ propensity for extra-role contributions. The superior long-term impact of intrinsic motivators on voluntary behavior underscores their strategic importance for embedding sustainability into organizational culture.

The robustness of the findings is reinforced by the excellent psychometric properties of the measurement model (high Cronbach’s alpha, AVE, and discriminant validity), which confirm that the constructs accurately capture the intended dimensions of incentives and green employee behavior.

Although highly informative, the study opens several avenues for future research. Contextual moderators such as organizational size, generational differences, and national culture may shape the effectiveness of incentive systems. For instance, Sri Lanka’s high power-distance and collectivist culture (Hofstede’s framework) likely makes employees more receptive to hierarchical, authority-driven, or group-based monetary rewards [60, 61]. In contrast, individualistic cultures tend to favor personalized intrinsic rewards. Cross-cultural investigations, as recommended by Merriman *et al.* [52] and Shahid *et al.* [62], could therefore reveal how incentive preferences vary globally and guide the design of culturally congruent reward systems. Additionally, future studies could explore industry-specific nuances [53] or compare the long-term sustainability of monetary versus non-monetary incentives [55, 57].

The results are consistent with evidence from other countries, enhancing generalizability. In Bangladesh, green rewards and compensation significantly influenced hotel employees’ green behavior [22]. In the UAE, a mix of monetary and non-monetary benefits was deemed essential for sustained motivation [63], while in Serbia internal marketing and supportive environments drove green innovation among Serbian hotel staff [64]. These cross-national parallels affirm the viability of a dual-incentive approach across diverse socio-economic and cultural contexts.

In summary, this research establishes that both MI (H1) and NI (H2) are powerful levers for promoting GEB in Sri Lanka’s hospitality industry. By confirming the complementary nature of extrinsic and intrinsic motivators, the study provides a solid foundation for designing comprehensive sustainability initiatives and enriches the broader literature on incentive-driven green behavior [52, 54, 65].

Implications

Hospitality managers can directly apply these findings by adopting a balanced dual-incentive strategy. Monetary rewards (e.g., green bonuses, merit increases tied to environmental KPIs) are highly effective for ensuring in-role compliance and rapid performance gains [66, 67]. Non-monetary incentives (e.g., public recognition, career development paths, symbolic awards) are particularly powerful for cultivating extra-role and voluntary green behaviors through enhanced intrinsic motivation and organizational commitment [68, 69].

An integrated approach—using financial rewards for immediate conformity and intrinsic rewards for long-term ownership—yields the most sustainable outcomes [56, 59]. Managers are therefore encouraged to: Link monetary rewards to measurable green KPIs, recognition and promotion systems that reward sustainability contributions, and sustainability goals into training, performance appraisals, and organizational culture.

The insights extend beyond hospitality to other employee-facing service sectors (retail, tourism, healthcare) where frontline staff behavior directly affects environmental performance. On a broader scale, widespread adoption of GEB in Sri Lankan tourism can enhance destination competitiveness, attract eco-conscious travelers, and strengthen the country’s sustainable tourism brand. Policymakers may support this transition by offering tax benefits for green training initiatives and public recognition programs for eco-friendly hotels.

By strategically combining monetary and non-monetary incentives, organizations can foster a workforce that is both compliant today and genuinely committed to sustainability tomorrow.

Conclusion

This study examined the influence of monetary incentives (MI) and non-monetary incentives (NI) on employees’ green employee behavior (GEB) within Sri Lanka’s hospitality sector—an industry vital to both the national economy and environmental preservation. The findings highlight the importance of organizational strategies that integrate appropriate incentives to enhance both in-role and extra-role green behaviors. MI were found to significantly encourage employees’ immediate compliance with environmental policies; financial rewards such as bonuses and salary increments effectively drive eco-friendly actions directly related to job tasks. However, overreliance on monetary rewards can foster a transactional mindset. In contrast, NI—including recognition programs, eco-awards, and career development opportunities—played a

crucial role in maintaining voluntary green behaviors. These incentives tend to nurture intrinsic motivation, encouraging proactive sustainability initiatives such as coaching colleagues or leading green projects. NI also cultivate a sense of pride and shared responsibility, forming the foundation for a lasting green organizational culture. A balanced incentive system proved most beneficial, as employees' preferences vary; for example, younger employees may prioritize career advancement, whereas more senior employees may place greater value on recognition. This underscores the multifaceted nature of motivation and the need for tailored strategies to maximize participation.

Despite the valuable insights generated, the cross-sectional design of the study restricts causal interpretations. Longitudinal or experimental research is recommended to determine the directionality and long-term stability of these incentive–GEB relationships.

Overall, the study demonstrates that incentives, when effectively designed and implemented, can integrate sustainability into organizational practices. A system that balances external rewards and intrinsic motivational drivers is essential for improving green performance, strengthening employee engagement, and supporting long-term sustainable development.

Limitations & Directions for Future Research

Because this study is cross-sectional, it captures associations rather than causal effects. Future longitudinal research is necessary to track how incentives influence green behaviors over time and to provide clearer evidence of behavioral change. Although the study contributes meaningfully to existing theory, several limitations must be acknowledged. The design does not allow examination of long-term behavioral shifts; thus, longitudinal approaches are needed to evaluate the enduring impact of incentives on GEB. Additionally, the focus on Sri Lanka's hospitality industry limits the generalizability of findings across other sectors or cultural contexts. Expanding future research to industries such as manufacturing or education would enable comparisons and identify both shared patterns and contextual differences.

The reliance on self-reported survey data raises the possibility of social desirability bias, even though anonymity was ensured. Future studies should incorporate multiple data sources to strengthen validity.

Furthermore, demographic variables such as age, gender, and educational level were not examined; these factors may shape how employees respond to incentives and should be explored in future work. Organizational and contextual influences—including leadership style, internal politics, and regulatory environments—were also outside the scope of this study. Future researchers could investigate emerging incentive mechanisms such as gamification, group-based rewards, or technology-enabled tracking systems to encourage long-term sustainable behavior. Addressing these limitations will help build a more robust theoretical foundation and enhance understanding of effective approaches for fostering GEB and achieving long-term sustainability goals.

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