



Green Culture and ESG Leadership: Driving Sustainable Finance through Organizational Readiness

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Abstract. This study investigates the influence of green organizational culture and ESG-based leadership on the implementation of sustainable finance strategies, with organizational readiness as a mediating variable. In the face of increasing global demands for sustainable transformation, especially within the banking sector, internal organizational factors play a crucial role in translating sustainability values into actionable strategies. Using a quantitative explanatory approach and data from 377 employees of Bank Negara Indonesia (BNI) in the Makassar region, this research applies Structural Equation Modeling–Partial Least Squares (SEM-PLS) to examine the direct and indirect effects between variables. The results show that both green culture and ESG leadership significantly influence the implementation of sustainable financial strategies, either directly or indirectly through organizational readiness. Organizational readiness functions as a key internal mechanism that links values and leadership with the actual execution of sustainable strategies. These findings emphasize the importance of fostering a strong internal culture and leadership model aligned with ESG principles to enhance institutional readiness and drive strategic sustainability in the financial sector. The study contributes to the literature on sustainable finance by integrating behavioral and structural perspectives, offering practical insights for banking institutions aiming to support green transition agendas.

Keywords: Green Organizational Culture, ESG-Oriented Leadership, Organizational Readiness, Sustainable Financial, Strategy.

1 Introduction

In the last decade, the transformation towards a sustainable economy has become an urgent global agenda. International commitments such as the Paris Agreement, SDGs 2030, and ESG (Environmental, Social, and Governance) policies have emphasized the importance of the role of the corporate sector, including financial institutions, in realizing environmentally friendly and inclusive growth. Banking as a strategic sector is required to not only be oriented towards profitability, but also to become an agent of change in the green transition [1, 2]. Global financial institutions have begun to integrate sustainability principles through green financing, ESG risk management, and

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digital innovation that supports resource efficiency. However, amidst these developments, challenges in internalizing a green culture and ESG-oriented leadership remain significant obstacles in the implementation of sustainable finance strategies.

Although there is a lot of literature examining green banking, corporate sustainability, and ESG governance, most studies still focus on technical aspects or macro policies. Studies that explore the role of internal organizational variables such as green culture, ESG leadership, and organizational readiness are still limited. In fact, these factors play a critical role in ensuring that sustainability strategies are not merely symbolic but are truly implemented systemically and operationally. In addition, there is still a gap in understanding the relationship between internal sustainability practices and sustainable financial performance outcomes in the banking sector, especially in the context of developing countries.

The context of Indonesia as a developing country experiencing the pressures of globalization and climate change is an interesting test field. As a state-owned bank (BUMN), BNI has a dual mandate: to pursue financial performance while also playing a role as a catalyst for sustainable development. In Eastern Indonesia, this challenge is increasingly complex due to the limited ESG literacy, organizational readiness, and digital infrastructure that supports green transformation. Therefore, examining how green organizational culture and ESG-based leadership affect organizational readiness and the implementation of sustainable financial strategies is very relevant in this context.

Previous studies tend to be fragmented: some highlight green culture individually [3,4], others focus on ESG leadership [5], and few integrate the two through a holistic organizational approach. In addition, there are still few studies that make *organizational readiness* as a mediating variable to understand the internal dynamics of the organization in supporting sustainable financial strategies. Therefore, this study will fill the gap by building a conceptual model that connects green culture, ESG leadership, organizational readiness, and implementation of sustainable financial strategies.

Based on the description above, the problem formulation in this study is: How do Green Organizational Culture and ESG-Based Leadership influence the Implementation of Sustainable Finance Strategy, and what is the mediating role of Organizational Readiness in this relationship?

This research aims to analyze the direct influence of green organizational culture and ESG-based leadership on the implementation of sustainable financial strategies. Furthermore, this study seeks to evaluate the crucial mediating role of organizational readiness in this relationship.

The findings of this study are expected to contribute to the literature on organizational sustainability, as well as provide practical implications for financial institutions, especially state-owned banks, in building internal systems and leadership that support the transition towards sustainable and resilient finance.

2 Literature Review

2.1. Green Organizational Culture

Green organizational culture reflects a system of values, norms, and practices that encourage environmentally friendly behavior in the workplace [5]. Green culture is not just a symbol but is part of the organization's strategy in creating long-term sustainability. This culture encourages green innovation, resource efficiency, and employee involvement in environmental initiatives [6]. A study by Ngoc Huynh [4] showed that green organizational culture has a positive effect on a company's strategic decisions, including green financing and reducing the operational carbon footprint.

2.2. ESG-Oriented Leadership

ESG based leadership emphasizes moral and strategic responsibility towards environmental, social, and governance aspects in business decision making [7]. Leaders with an ESG orientation not only ensure internal sustainability but also shape the institution's reputation as an agent of change. According to Dong [8], this type of leadership style has a major influence on the direction of a company's strategy, especially in the context of green finance and sustainable governance.

2.3. Organizational Readiness for Sustainability

Organizational readiness refers to the level of readiness of an organization's internal resources, structures, and competencies to implement sustainability strategies effectively [10, 11]. In the context of ESG and green finance, readiness includes technological readiness, employee sustainability literacy, and structural support for the adoption of green strategies. According to Bhrem [11], readiness is a crucial factor in bridging strategic vision and successful implementation, especially in public sector or banking organizations.

2.4. Implementation of Sustainable Financial Strategy

Sustainable finance strategy refers to the integration of ESG considerations into financial planning, financing, and reporting processes [12, 13, 14]. In banking, this includes green financing, ESG product development, and increased transparency in environmental risk disclosure. A study by Zhou [15] confirmed that banks that adopt sustainable finance strategies have better long-term performance and higher public trust.

2.5. Integration Between Variables

The conceptual model in this study is built on the understanding that green organizational culture and ESG-based leadership are important prerequisites for driving organizational readiness for sustainability. This readiness is a strategic foundation for implementing sustainable finance strategies effectively. With this approach, this study not only explains the direct relationship between variables but also tests the mediation mechanism in the sustainability management system of banking organizations.

2.6. Direct Effect

H1: Green organizational culture has a positive influence on the implementation of sustainable financial strategies.

H2: ESG-based leadership has a positive impact on the implementation of sustainable financial strategies.

H3: Green organizational culture has a positive effect on organizational readiness for sustainability.

H4: ESG-based leadership has a positive effect on organizational readiness for sustainability.

H5: Organizational readiness for sustainability has a positive effect on the implementation of sustainable financial strategies.

2.7. Indirect Effect / Mediation

H6: Organizational readiness mediates the relationship between green organizational culture and implementation of sustainable financial strategies.

H7: Organizational readiness mediates the relationship between ESG-based leadership and sustainable finance strategy implementation.

3 Method

This research uses a quantitative explanatory with the aim of testing the direct and indirect effects between variables: green organizational culture, ESG-based leadership, organizational readiness, and implementation of sustainable financial strategies. The conceptual model was tested using the method of Structural Equation Modeling Partial Least Squares (SEM-PLS) because it is suitable for complex theoretical models and is suitable for application to non-normal data and large sample sizes. The data processing process is carried out with the help of software smart PLS version 4.

The population in this study includes all employees and managers of Bank Negara Indonesia (BNI) in the Makassar regional work unit, including regional offices and main branch offices. The sampling technique was carried out by purposive sampling with the following criteria: (1) have at least 1 year of work experience and (2)

understand or are involved in internal policies related to sustainability, ESG, or organizational transformation. The number of respondents analyzed was 377 people, which is statistically very adequate for SEM-PLS analysis because it exceeds the minimum requirement of 10 times the number of indicators (in this case, there are 22 indicators in the model).

The instruments used in this study were: a 5-point Likert scale-based questionnaire (1 = strongly disagree, 5 = strongly agree), which is arranged based on the theoretical indicators of each variable. Validity testing is carried out by assessing the value of outer loading, while construct reliability is measured using Composite Reliability (CR) and Cronbach's Alpha. To test convergent validity, the value is used Average Variance Extracted (AVE). After ensuring the measurement model is valid and reliable, hypothesis testing is carried out within inner model by looking at the value path coefficient, t-statistic, dan p-value to measure direct and indirect influences, as well as testing mediation effects using the bootstrapping method.

4 Result

4.1. Indicator Validity Test (Outer Loading)

Table 1. Outer Loading

	X1	X2	Y	Z
X1.1	0.802			
X1.2	0.791			
X1.3	0.846			
X1.4	0.827			
X1.5	0.811			
X2.1		0.827		
X2.2		0.823		
X2.3		0.814		
X2.4		0.794		
X2.5		0.813		
Y.1			0.789	
Y.2			0.798	
Y.3			0.815	
Y.4			0.795	
Y.5			0.776	
Y.6			0.807	
Y.7			0.777	
Z.1				0.839
Z.2				0.831

Z.3	0.799
Z.4	0.797
Z.5	0.808

Source: Data processed Smart PLS (2025)

The results of the indicator validity test using the outer loading measurement are presented in Table 1. The table shows that all indicators of the four constructs in this study have loading values above the recommended threshold of 0.70, indicating that all indicators meet the criteria for convergent validity. Indicators for the variables Green Organizational Culture (X1) ranged from 0.791 to 0.846, indicating the consistency of each item's contribution to the construct. Meanwhile, the indicator for ESG-Oriented Leadership (X2) has a loading value between 0.794 to 0.827, which also indicates strong reliability. The variable Implementation of Sustainable Finance Strategy (Y) consists of seven indicators with loading values between 0.776 and 0.815, and all are acceptable. Likewise, Organizational Readiness for Sustainability (Z) has five indicators with loading values ranging from 0.797 to 0.839, which is also very good. Thus, it can be concluded that all indicators in this study are convergently valid and suitable for use in further structural model testing.

Construct Reliability Test and Convergent Validity Test (AVE).

Table 2. Reliability

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
X1	0.874	0.877	0.909	0.665
X2	0.873	0.874	0.908	0.663
Y	0.902	0.903	0.923	0.630
Z	0.873	0.875	0.908	0.664

Source: Data processed Smart PLS (2025)

The results of the construct reliability and convergent validity tests are presented in Table 2. The table shows the values of Cronbach's Alpha, Composite Reliability, and Average Variance Extracted (AVE) for each construct used in this study. This is shown by the value of Cronbach's Alpha all variables (X1, X2, Y, and Z) that are above the minimum threshold of 0.70, with a range between 0.873 to 0.902, indicating excellent internal consistency.

Mark Composite Reliability (rho_c) all constructs also exceeded the minimum limit of 0.70 (Hair et al., 2019), with a range between 0.908 and 0.923, which indicates that each construct has a very strong level of combined reliability. In addition, the value Average Variance Extracted (AVE) of all constructs is above the minimum standard of 0.50, which is between 0.630 to 0.665, which shows that more than 50% of the variance

of the indicator can be explained by the construct in question, meeting the criteria for convergent validity.

Thus, it can be concluded that all constructs in this study meet the requirements of reliability and validity and are suitable for use in further structural model testing (inner model analysis), including hypothesis testing and mediation effects.

Path Analysis. After the measurement model (outer model) is declared valid and reliable, the next stage is to evaluate it. structural model (inner model) to test the causal relationship between constructs in the research model. This evaluation is carried out through analysis of the path coefficient to determine the strength and direction of influence between latent variables, as well as a statistical significance test using the bootstrapping method with 5,000 subsamples on SmartPLS software. The test results include the original sample value (O), sample mean (M), standard deviation (STDEV), t-statistic, and p-value. The following are the results of the direct influence test between variables:

Table 3. Path Analysis

	Original sample (O)	Sampl e mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
X1 -> Y	0.283	0.283	0.053	5.374	0.000
X1 -> Z	0.368	0.368	0.056	6.535	0.000
X2 -> Y	0.234	0.234	0.051	4.600	0.000
X2 -> Z	0.439	0.438	0.055	7.921	0.000
Z -> Y	0.392	0.394	0.061	6.428	0.000

Source: Data processed Smart PLS (2025)

The results of the structural model evaluation and direct effect testing between variables are presented in Table 3. The table summarizes the path coefficients, t-statistics, and p-values used to determine the significance of the relationships among the constructs in this study. Test results of the path coefficient in the structural model show that all relationships between variables in this model are statistically significant (p -value < 0.05). First, green organizational culture (X1) has a significant impact implementation of sustainable financial strategy (Y) with a coefficient of 0.283, a mark *t*-statistic as big as 5.374, and a *p*-value of 0.000. This shows that green organizational culture directly drives the success of sustainable finance strategies.

Furthermore, green organizational culture (X1) also has a significant impact on organizational readiness (Z) with a coefficient of 0.368 ($t = 6.535$; $p = 0.000$), which means that the stronger the green culture in the organization, the higher the readiness of the organization to implement sustainability strategies. Likewise, ESG-based leadership (X2) has been proven to have a significant positive influence implementation of sustainable financial strategy (Y) with a coefficient of 0.234 ($t = 4.600$; $p = 0.000$), and against organizational readiness (Z) with a coefficient of 0.439 ($t = 7.921$; $p = 0.000$). This indicates that a leadership style that prioritizes ESG values is able to shape

organizational readiness while encouraging the achievement of green financial strategies.

Finally, organizational readiness (Z) 's influence on the implementation of sustainable financial strategy (Y) was also significant, with a coefficient 0.392, *t-statistic* 6.428, And *p-value* 0.000. This finding confirms that organizational readiness plays an important role as a key driver in implementing sustainability-oriented financial strategies.

Indirect Effect.

Table 4. Indirect Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
X1 -> Z -> Y	0.144	0.145	0.030	4.893	0.000
X2 -> Z -> Y	0.172	0.172	0.033	5.220	0.000

Source: Data processed Smart PLS (2025)

The results of the indirect effect analysis are presented in Table 4. The table shows the mediating role of organizational readiness for sustainability in the relationship between green organizational culture, ESG-based leadership, and the implementation of sustainable financial strategies. The results of the indirect effect analysis show that organizational readiness for sustainability significantly mediates the relationship between the two independent variables (green organizational culture and ESG-based leadership) on the implementation of sustainable financial strategies. Path X1 → Z → Y produces a coefficient of 0.144, with the value-*statistic* 4.893, and *p-value* 0.000, while the path X2 → Z → Y has a coefficient 0.172, *t-statistic* 5.220, and *p-value* 0.000. Both results show high significance ($p < 0.05$), so it can be concluded that organizational readiness plays a role as a mediator that strengthens the influence of green culture and ESG-based leadership on the implementation of sustainable finance strategies. This finding emphasizes that organizational readiness is a key factor in transforming sustainability values into real actions in institutional finance practices.

R-Square.

Table 5. R-Square

	R-square	R-square adjusted
Y	0.431	0.426
Z	0.307	0.303

Source: Data processed Smart PLS (2025)

The explanatory power of the research model based on the R-square and adjusted R-square values is presented in Table 5. The table indicates the extent to which the

independent variables explain the variation in the dependent and mediating variables in this study. Based on the results of the analysis, the R^2 value for the dependent variable implementation of sustainable financial strategy (Y), is as big as 0.431, which means that 43.1% variations in sustainable financial strategies can be explained by green organizational culture, ESG-based leadership, and organizational readiness. Meanwhile, the R^2 value for the variable organizational readiness (Z) is as big as 0.307, which shows that 30.7% variation in organizational readiness is explained by green culture and ESG leadership. Both R^2 values are in the category of moderate so it can be concluded that this research model has quite good explanatory power. The value R-squared adjusted on each variable is relatively stable (0.426 for Y and 0.303 for Z), indicating that the model does not experience overfitting even though it uses many indicators.

5 Discussion

The implementation of sustainable financial strategies in the banking sector cannot be separated from the internal character of an organization, both in terms of its work culture and the quality of its leadership. One of the fundamental pillars that shapes the direction and success of such strategies is an organizational culture that internalizes sustainability values. When environmental consciousness and social responsibility are deeply embedded in work habits and collective norms, the drive to adopt financial strategies aligned with sustainability principles becomes more organic. A green organizational culture fosters a mindset and behaviour that go beyond mere regulatory compliance, actively promoting policies and financial practices that are socially and ecologically responsible. As emphasized by [16], culture plays a pivotal role in shaping strategic decision making patterns, including those related to sustainable financial direction.

However, culture alone is insufficient without the presence of leaders who serve as role models in guiding the organization toward a sustainable vision. ESG-oriented leadership plays a crucial role in driving strategic transformation, as such leaders not only emphasize economic efficiency but also integrate social responsibility and ethical governance into all managerial dimensions. Leaders with an ESG orientation cultivate collective awareness and articulate sustainability values concretely within organizational policies. This aligns with the principles of transformational leadership [4], which emphasize that effective organizational change stems from leaders who possess moral commitment and a long-term vision. Empirical support from [6] further reinforces that ethical leadership strengthens corporate sustainability initiatives and enhances the organization's non-financial performance.

The combination of a green culture and ESG-oriented leadership subsequently shapes an organization's readiness to face strategic change. Organizational readiness is not merely a matter of technical preparation; it reflects the collective mental state and internal structure necessary for larger transformations. When values and leadership are aligned with sustainability principles, readiness is more likely to develop systematically. The theory of Organizational Change Readiness [9, 18] suggests that

positive perceptions of change and confidence in an organization's ability to manage it are key determinants of readiness. In this context, green culture and ESG leadership create a conducive environment for strategic transformation. This is also supported by [18], who found that readiness is nurtured by the quality of leadership and the internal value systems adopted by the organization.

Notably, readiness is not merely a result of culture and leadership, but also serves as a vital connecting element in driving sustainable financial strategy [20, 21]. It acts as an internalization mechanism that bridges inputs (culture and leadership) with outputs (strategy implementation). Within the framework of the Input Process Output (IPO) model, readiness serves as the crucial process through which values are crystallized into action. Without readiness, sustainability values risk remaining rhetorical rather than actionable. [21] emphasize that high levels of readiness enable organizations to absorb and translate sustainability values into concrete business strategies. Therefore, organizational readiness should not be viewed as an auxiliary factor, but rather as the critical intersection between sustainability ideals and the reality of strategic execution.

6 Conclusion

Based on the results of data analysis, it can be concluded that green organizational culture and ESG-based leadership have a significant direct influence implementation of sustainable financial strategies. Both also have a positive influence on organizational readiness, which in this study proved to be a significant mediating variable. This means that organizations that build a green culture and are led by leaders with an ESG orientation tend to have a higher level of readiness to adopt sustainable finance strategies, and this readiness strengthens the effectiveness of their implementation. Overall, the model built in this study shows that the success of implementing a sustainable finance strategy in the banking context is greatly influenced by the synergy between organizational cultural values, leadership quality, and the organization's internal readiness to change. This finding emphasizes the importance of building a strong and transformative organizational foundation as a prerequisite for finance that is not only economically profitable but also socially and environmentally responsible. This study has limitations as it only used data collected from employees of Bank Negara Indonesia (BNI) in the Makassar region, thus limiting the generalizability of the results to similar state-owned bank contexts. Furthermore, the data utilized is cross-sectional, which restricts the ability to test long-term cause-and-effect relationships and the evolution of organizational readiness over time. For future research, it is recommended to expand the population scope by involving financial institutions from diverse regions or countries to enhance the external validity of the findings. Subsequent studies could also employ a qualitative or longitudinal approach to explore the implementation mechanisms more deeply and investigate how green culture and ESG leadership impact non-traditional financial performance (such as Green Portfolio Quality or ESG Rating) in the banking sector.

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