

Abstract

This study aims to examine the effect of financial resources and management capabilities on environmental performance. Second, this study explores the mediating effects of green product innovation and green process innovation in the relationship between financial resources and management capabilities on environmental performance. The sample consisted of 235 manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2019-2023 and recipients of the PROPER award issued by the Ministry of Environment and Forestry of the Republic of Indonesia. Data were analyzed using Partial Least Square (PLS). The research findings show that financial resources and management capabilities do not influence environmental performance, while green product innovation and green process innovation positively affect environmental performance. The study also found that both financial resources and management capabilities have a positive influence on green product innovation and green process innovation. Statistical analysis shows that green product innovation and green process innovation have a mediating role that mediates the impact of financial resources on environmental performance. The results of the study also show that green product innovation does not mediate the influence of management capabilities on environmental performance, while green process innovation has a mediating role that mediates the relationship between management capabilities and environmental performance.

This study provides theoretical implications, namely increasing understanding of the dynamics of green innovation and environmental performance in the context of the manufacturing industry in Indonesia through the Resource-Based View (RBV) theory. Green innovation is positioned as a capability bridge that bridges financial resources and management capabilities. The practical implication of this research is to add new insights for the innovative industry by implementing green product innovation and green process innovation as a strategy to improve environmental performance so as to gain competitive advantage.

The limitation of this study is the use of the overall management efficiency method as the only proxy to measure management capability. The suggestion given for future research is to combine the efficiency approach with other indicators that are more specific to the characteristics of managers, such as educational background, work experience, leadership style, or strategic decisions taken. In addition, the integration of qualitative data through interviews or surveys, as well as the use of alternative methods such as Stochastic Frontier Analysis (SFA), can also be considered to produce a more comprehensive and accurate measurement of management capability.

Keywords: *financial resources, corporate capabilities, environmental performance, green innovation*

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