

Research Article

Green Innovation Mediates the Influence of Green Culture on the Financial Performance of Hotels in Gianyar Regency

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Abstract. This study aims to analyze the impact of green culture and green innovation on the financial performance of hotels in Gianyar Regency. The urgency of this study stems from the emergence of environmental issues that are damaging Bali's image as a tourist destination, one of which is the rapid expansion of hotel accommodations, which has the potential to negatively impact the environment. Environmentally friendly practices are a key strategy in hotel operations, which can impact the hotel's financial performance in the long term. However, there is a gap in the research regarding the subjects of study, which tend to focus on large companies, such as manufacturers or companies listed on the Indonesia Stock Exchange. Data consisting of 52 responses from hotel managers in Gianyar Regency were collected via a questionnaire distributed through Google Forms and analyzed using Smart PLS version 4. The results show that green culture has a positive but insignificant effect on hotel financial performance. Green culture has a positive and significant effect on green innovation. Similarly, green innovation has a positive and significant effect on financial performance. Green innovation partially mediates the effect of green culture on financial performance. The implications of this study highlight the importance of internalizing a "green culture" within the hotel industry, with the aim of fostering environmentally friendly behavior. This behavior drives the development of environmental innovations, enabling hotels to better manage their resources, reduce environmental costs, and increase profits through environmentally friendly practices.

Keywords: Financial Performance; Gianyar Regency; Green Culture; Green Innovation; Hotel.

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1. Introduction

Culture is considered a very important resource to be managed properly, because it can be a uniqueness that can drive the company's performance in the long term (Jatmiko, 2017). The creation of a well-implemented culture shows a form of responsibility for the quality of the company's performance (Zainuddin & Nasikhah, 2021). In business practice it is known *Green Culture* as a form of value guideline that indicates the company's concern and support for preserving the environment. *Green culture* Forming habits of environmentally friendly practices, which have the potential to provide long-term benefits (Sudaryati *et al.*, 2020).

Hotels are one of the industries that are sensitive to the environment because they utilize natural resources quite highly. In the increasing growth of hotels, the use of natural resources and environmental impacts has also increased. Reporting from data from the Bali Disparada, hotels in Gianyar Regency increased by 50.6% after the Covid-19 pandemic. This is driven by motivation to ensure the availability of accommodation for tourists. Environmental impact can be a threat to hotel finances, because hotel quality is the determinant of consumer choice (Chaniago, 2024; Nisa *et al.*, 2025). Based on data *Greenview*, hotels in Gianyar generate 93.4% of the carbon footprint per room. Hotel finances will certainly be affected by the hotel's high energy consumption and high waste production (Aisyah & Sisdiyanto, 2025; Deraman *et al.*, 2017; Sloan *et al.*, 2013). This poses a hotel dilemma related to the need to maintain financial performance stability with environmental responsibility. The Bali government expressly issued Regional Regulation No. 5 of 2020 concerning Sustainable Tourism Based on Culture and Environment as a guideline for tourism actors.

Theory *resourcebased view* declare *Green Culture* as a unique resource able to increase the company's innovative capabilities which has a positive effect on financial performance (Soewarno & Tjahjadi, 2020). *Green cultur4e* In addition, the theory *Squirrel* It is the basis for companies such as hotels to transform in an environmentally friendly culture to meet

environmental responsibility and business continuity. This effort can also contribute to improved performance and reliability (Mendonca & Zhou, 2019; Tan *et al.*, 2017). Financial performance will be influenced by environmental factors with the onset of cost burdens (Sari, 2023; Asadi *et al.*, 2020). *Green culture* and *Green Innovation* can be an industry competitiveness, this practice can also be a long-term strategy to balance economic goals and environmental responsibility. *Green culture* form an eco-friendly attitude through the values and ideas of the company's culture. Because *Green Culture* To produce outputs of values and principles, hotels need a medium of transformation into a real action, one of which is in the form of *Green innovation*. *Green innovation* which refers to the development of environmentally friendly processes and products to improve resource efficiency and reduce the environmental impact of hotels. Innovation will require investment at the beginning so that it will have an effect on finances, however, *Green Innovation* can be an advantage of the company that can generate financial benefits.

Some previous studies have stated that *Green Culture* will affect financial performance (Bai *et al.*, 2023; Djuanda & Tarigan, 2016). However, often a lack of commitment and concrete action decreases effectiveness *Green Culture* (Sustrastanti & Rachmawati, 2023). Other research mentions that *Green Culture* can motivate leaders in forming *Green Innovation* which will also encourage operational cost savings, a good reputation, and create new market opportunities, especially for the hotel industry in tourism areas such as Gianyar.

Therefore, including *green innovation* as a mediation in this study can help provide academic and practical benefits. As the purpose of this study is to examine the influence of *green culture* on financial performance, as well as evaluate the mediating effect of *green innovation* in relation to the impact of this study. So that the means of implementing environmentally friendly values and principles in improving financial performance in the environmentally sensitive hotel industry are obtained.

Based on theory *stakeholder*, The company has a responsibility to stakeholders. This responsibility fills market needs that will affect the company's financial performance, of course, through the alignment of team goals and behaviors (Chandra *et al.*, 2021). Research by Imran *et al.*, (2021), find *Green Culture* will affect the efficiency of resource or energy consumption. One of the financial performance depends on how efficient and cost-effective. In the hotel industry, environmental costs such as waste costs, energy consumption costs, and environmental conservation costs that if not managed will cause a high cost burden. In previous studies that have been conducted, such as research by Chandra *et al.*, (2021); Djuanda & Tarigan, (2016); Putra & Khomsiyah, (2023) found that *Green Culture* can affect the company's performance. Likewise, research by (Kustianti & Murwaningsari, (2023) finding the existence of an organizational culture has a positive influence on company performance. However, effectiveness *Green Culture* will depend on the company's commitment.

2. Research Methods

This research is a type of quantitative research that uses primary data that uses *green innovation* as a mediating variable to examine how *green culture* affects financial performance. This study observes the hotel industry in Gianyar Regency from three-star to five-star hotels on the grounds that the ability of hotels to implement environmentally friendly efforts is greater in high-scale hotels. A total of 132 populations, there is 1 hotel that is permanently closed so that the total population is 131 using *the purposive sampling method*.

Primary data was obtained from data collection through questionnaires. The sample in this study consisted of 52 hotels in Gianyar Regency. Data collection was carried out through a questionnaire in the form of *a google form* with instruments designed based on research indicators using *a 5-point* likert scale.

The data in this study was described using descriptive analysis. *The pilot test* was carried out using the SPSS version 25 program on the first 30 samples to determine the feasibility and validity of each research item. Then, the data analysis technique used the *Structural Equation Model* (SEM) analysis approach with the help of SmartPLS version 4 software. Data analysis involved validity tests and reliability tests which are part of the *outer model test*. Furthermore, an inner model *test was carried out*, which included *R-squares* (R2) and *predictive relevance* (Q2) tests, *effect size* (f2), *Goodness of Fit* (GoF), *path coefficient* and *bootstrapping tests*, and *Variance Accounted For* (VAF) tests to determine the amount of green innovation mediation.

3. Results And Discussion

Table 1. Descriptive Analysis Results.

	N	Red	Std Deviation	Loading (>0.7)	AVE (>0.5)	CR (>0.7)	Alpha (>0.7)
GC	52	1,907	783	0,798	0,639	0,923	0,905
GI	52	2,274	794	0,810	0,651	0,944	0,934
CD	52	3,005	826	0,794	0,629	0,944	0,937

Source: Research data, 2025

Based on the results of the descriptive statistical analysis test, the data obtained was sourced from 52 respondents who were *General Managers* or *Operational Managers* of hotels in Gianyar out of an initial total of 54 respondents, but 2 of them did not have valid CHSE certification due to change of ownership. The results of descriptive statistics are data that have been converted into interval data. The three variables have a mean value that is greater than the standard deviation value, showing a relatively stable data distribution and not having much variation or homogeneity.

The outer model test was carried out to ensure the validity and reliability of the research data. Based on *the convergent validity* test, a loading factor *value* greater than 0.7 was obtained as a condition for passing the test followed by an AVE value greater than 0.5 for the three variables. The *discriminant validity* test through the Fornell-Larcker criteria was carried out and recorded the value of the latent variable that was greater than the correlation value with other latent variables. This result concluded that the research data was tested for validity and reliability. The reliability test showed that the results showed that the research data was considered consistent and reliable for further analysis with Cronbach's Alpha and *Composite Reliability* (CR) values of more than 0.7, besides that the CR value was also greater than Cronbach's Alpha value.

The evaluation of the relationships between variables is carried out through *the analysis of the inner model*. Structurally, the relationships of variables are shown in the following path model:

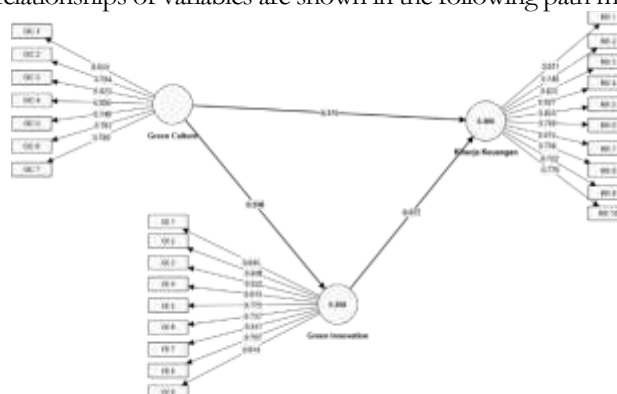


Fig 1. Evaluation.

Source: Research data, 2025

Based on tests *R-Squares* The model is categorized as weak, namely the value of *R2 Green Innovation* by 25.8% and financial performance by 46.6%. In the context of organizational behavior, values are still categorized as representative with many other factors that also influence. Values *Q2 predictive relevance* requiring a value greater than 0, the results of the study noted that the study was categorized as moderate or moderate with a *Q value*² by 0.16 to 0.28. Thus, the research model is considered to have a strong enough predictive power to explain the variability of variables. Next, the test *effect size* finding results that influence *Green Culture* on financial performance is relatively small with a value of 0.04. Meanwhile, the influence of *Green Innovation* are categorized as large, namely 0.46 for financial performance and 0.35 for *green culture*. Test *Goodness of Fit* (GoF) to prove the feasibility of the model calculated through the root value of the average AVE multiplied by the mean *R-Squares*. The GoF value obtained was 0.480 greater than the requirement, which was 0.36, so the model concluded *fit* to continue the hypothesis test.

The results of the hypothesis test were obtained through the test value *Path Coefficient* and *bootstrapping*. As a result, the direction of the relationship of all variables is positive which implies that there is a positive relationship of the proposed hypothesis. Although, the relationship *Green Culture* with financial performance categorized as small with value *Path Coefficient* 0.175. Test *Bootstrapping* Describe the values of T-statistics and P-Value in measuring the significance of relationships.

Table 2. Relationships.

Hypothesis	Relationships	T Statistic"	P	Influence
H1	GC->KK	1.613	0,107	Insignificant
H2	GC->GI	5.324	0,000	Significant
H3	GI->KK	5.800	0,000	Significant
H4	GC->GI-	4.486	0,000	Significant

Source: Research data, 2025

Relationship between *Green Culture* with financial performance was proposed as hypothesis 1 in the study. Testing showed that a positive but insignificant influence meant that H1 was rejected. This means, even though the hotel develops *Green Culture* This effort has not been able to improve the financial performance of hotels in Gianyar. Factors such as lack of support and enthusiasm can have an impact. (Jatmiko, 2017), Sherly & Murwaningsari, (2023), and Aulia *et al.*, (2024) agreeing with this conclusion, which found that there is an enthusiasm factor and a cost perspective that reduces the profit generated. So it can be affirmed that *Green Culture* does not significantly improve the financial performance of hotels in Gianyar.

The second hypothesis in this study is accepted. *Green culture* positively and significantly affect *Green Innovation*. Commitment *Green Culture* hotel owned in Gianyar encourages the development of *Green Innovation*. These results add to the argument, the stronger the green culture, the better the innovation will be created. In line with the research Wang, (2019), Kusuma & Muafi, (2024), Imran *et al.*, (2021), Soewarno & Tjahjadi, (2020), Aslam *et al.*, (2024) and, Sharma *et al.*, (2021), where companies with an environment adaptive culture are able to encourage the creation of environmental innovation. In RBV theory, *Green Culture* is a company's resource that has value, uniqueness, rarity, and hard to imitate that is able to generate profits for the company.

The third hypothesis of this study states that there is a positive relationship between Green Innovation with the financial performance of the Gianyar Hotel. The t-statistical value >1.96 and the p-value >0.05 , then it can be concluded that the third hypothesis is accepted. Hotel management can see the projected benefits that can be obtained through green innovation actions such as environmental cost savings. In addition, hotels can meet customers' needs "wellness travel", So it will be very good for financial performance in the long run. Research by (Baah *et al.*, 2020; Intari & Khusnah, 2023), Neri *et al.*, (2018) To the same conclusion, consistency of practice Green Innovation will provide economic benefits in the long run. (Yusoff, 2018), also confirmed the flood *Green Innovation* influence customer interest which drives room occupancy rates. This study confirms previous findings that the better the implementation *Green Innovation* has a greater role in improving the hotel's financial performance.

The fourth hypothesis of this study states that Green Innovation Mediating influence Green Culture financial performance. Test results Path Coefficient and Bootstrapping who found a positive and significant influence relationship, concluding that the hypothesis of the four studies is accepted. Based on calculations Variance Accounted For (VAF) obtained a score of 62.61%, which means that the role of mediation Green Innovation categorized as partial mediation. Green innovation is an important path in pouring green culture into an action that can improve financial performance. In line with the findings Yi *et al.*, (2021), Green Culture that form innovation will increase the chances of hotels achieving optimal performance. This research supports previous findings by Aslam & Leghari, (2024); Imran *et al.*, (2021); (Tjahjadi *et al.*, 2020) confirming the role of mediation Green Innovation for the company's performance.

4. Conclusion

This study concludes that green culture does not significantly affect the financial performance of hotels in Gianyar, because real action is needed from the cultural values adhered to. Green culture has a positive effect on green innovation, showing how the values, principles, and beliefs in green culture that are appropriate and consistent encourage the development of green innovation. In addition, green innovation also has a positive effect on the financial performance of hotels in Gianyar, which means that the better the implementation of green innovation will improve the financial performance of hotels. The study also found that green innovation is able to mediate the influence of green culture on financial performance partially or partially. These results show that green culture has the ability to be able to influence financial performance directly. The transformation of green culture values into green innovation results in resource savings and generates profits, especially from environmentally friendly markets.

This research has limitations, namely based on respondents' perceptions, further research can use more objective instruments. The sample in this study is relatively small and limited to hotels in Gianyar Regency. Further research can expand the scope of the research area to obtain more representative results. Furthermore, future research can add other mediating variables such as competitive advantage, environmental performance, or management commitment.

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