

The Role of Corporate Governance in Mediating the Effect of Corporate Social Responsibility and Green Innovation on the Business Performance of the Ikat Woven Fabric Creative Industry

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Abstract

The purpose of this study is to examine the role of corporate governance in mediating the effect of corporate social responsibility and green innovation on the business performance of the Ikat woven fabric creative industry in East Nusa Tenggara (NTT). The findings are expected to help the creative industry enhance its competitiveness by not only focusing on business sustainability and profitability through Good Corporate Governance (GCG) and Green Product Innovation (GPI), but also by considering the surrounding community through Corporate Social Responsibility (CSR). This study employed a quantitative explanatory research design. The data source consisted of primary data. The population included creative industry actors in the Ikat woven fabric sector across Flores Island, specifically in West Manggarai Regency, Manggarai, Sikka, and Ende. The sample was selected using quota and purposive sampling techniques, resulting in 55 creative industry actors. Data were analyzed using Structural Equation Modeling with Partial Least Squares (SEM-PLS). The results indicate that corporate social responsibility has a positive and significant effect on business performance. Green innovation also has a positive and significant effect on business performance. Furthermore, corporate social responsibility has a positive and significant effect on business performance through good corporate governance as a mediating variable. Similarly, green innovation has a positive and significant effect on business performance through good corporate governance.

Introduction

The creative industry, which is grounded in the concept of creativity, has significant potential to promote economic growth and enhance public welfare. One of the most culturally rich creative industries in East Nusa Tenggara Province (NTT) is the ikat woven fabric industry. Ikat weaving represents a distinctive craft sector that offers strong aesthetic value and cultural identity (Susanti, 2021; Chantamool et al., 2024; Gyasi et al., 2025). It has become a defining cultural symbol of NTT and a major attraction for cultural tourism, positioning the province as a unique destination with compelling traditional heritage. Moreover, ikat weaving is recognized as one of NTT's leading commodities and is actively promoted in national and international exhibitions.

The ikat woven fabrics of NTT attract public attention due to their distinctive characteristics. These fabrics are handmade using traditional wooden and bamboo tools and utilize natural plant-based dyes. Each region in NTT produces unique motifs that reflect local philosophy and identity. According to the Regional National Crafts Council (Dekranasda), NTT has more than 700 ikat motifs, each containing a specific philosophical meaning. Given the richness and

diversity of these motifs across various regions, improving business performance is essential to ensure the sustainability and long-term growth of this creative industry.

Business performance sustainability can be observed through sales growth, particularly the average monthly sales volume. Sales growth reflects the successful implementation of company strategies and investments and serves as a predictor of future growth. Sustained business performance requires supporting factors such as corporate social responsibility (CSR), green product innovation (GPI), and good corporate governance (GCG). The implementation of CSR, GPI, and GCG remains an important issue across various industrial sectors, including small and medium-sized enterprises (SMEs) within the creative industry.

Empirical evidence indicates that CSR implementation positively contributes to business performance and long-term corporate success (Carrigan et al., 2011; Wahyuni et al., 2024; Khan & Riaz, 2024; Yahaya, 2026). Although CSR aims to inform stakeholders about responsible business conduct, its implementation among SMEs remains limited (Nejati et al., 2014; Hadiah Fitriyah et al., 2020). Therefore, examining CSR practices in creative SMEs is essential. In addition, green product innovation has become increasingly important as businesses are expected to adopt environmentally friendly practices. Green innovation enhances product quality, competitiveness, and long-term sustainability (Chiou et al., 2011; Giniuniene & Jurksiene, 2015). Even SMEs can benefit from innovation to improve productivity and competitiveness (De Jong & Vermeulen, 2006). Furthermore, effective corporate governance strengthens internal and external control mechanisms, enhances company reputation, and supports strategic performance improvement (Atakan, 2008; Manginte, 2024; Bari et al., 2024; Efunniyi et al., 2024).

Based on this background, this study aims to examine the mediating role of good corporate governance in the relationship between corporate social responsibility, green product innovation, and business performance in the ikat woven fabric creative industry in East Nusa Tenggara.

Hypotheses Development

Corporate Social Responsibility and Business Performance

The relationship between corporate social responsibility and business performance can be explained through stakeholder theory, legitimacy theory, and the resource-based view. Stakeholder theory suggests that CSR strengthens relationships with stakeholders, increases loyalty, and enhances corporate image (Freeman, 1984). Legitimacy theory argues that CSR helps organizations gain social acceptance by demonstrating concern for society and the environment (Suchman, 1995). From a resource-based perspective, CSR creates reputational assets and competitive advantages that are difficult to imitate, thereby improving both financial and non-financial performance (Barney, 1991).

Previous empirical studies support this relationship. Suaidah and Kartini Putri (2020) found that CSR positively affects company performance. Similarly, Amalia and Ni'am (2022) reported that CSR improves SME performance. Based on these theoretical and empirical foundations, the following hypothesis is proposed:

H1: Corporate Social Responsibility positively affects the business performance of the ikat woven fabric industry in East Nusa Tenggara.

Green Innovation and Business Performance

Green product innovation refers to the development of environmentally friendly products that minimize environmental damage and reduce the excessive use of natural resources (Rusniati

& Rahmawati, 2019). Green innovation enhances competitiveness by improving product quality, operational efficiency, and environmental responsibility (Chiou et al., 2011; Camison & Villar-Lopez, 2014). It is applicable not only to large firms but also to SMEs (De Jong & Vermeulen, 2006).

Empirical evidence indicates that green innovation positively influences business performance (Sumiati & Susanto, 2021; Fitriani, 2015). Accordingly, the following hypothesis is formulated:

H2: Green Innovation positively affects the business performance of the ikat woven fabric industry in East Nusa Tenggara.

Corporate Governance as a Mediator between CSR and Business Performance

The implementation of good corporate governance ensures that CSR activities are conducted transparently, accountably, and sustainably. Effective governance strengthens the impact of CSR on financial and non-financial performance (Suracmad, 2020). In SMEs and creative industries, CSR integrated with governance practices enhances competitiveness and long-term sustainability (Rahayu et al., 2024; Harprayudi et al., 2022).

Thus, corporate governance functions as a mechanism that channels CSR initiatives into improved performance outcomes.

H3: Corporate Governance mediates the relationship between Corporate Social Responsibility and business performance in the ikat woven fabric industry in East Nusa Tenggara.

Corporate Governance as a Mediator between Green Innovation and Business Performance

The implementation of green innovation requires effective governance systems to ensure proper supervision and strategic alignment. Green innovation improves company performance when supported by transparent and accountable governance (Chen et al., 2006). Studies by Xie and Huo (2019) and Khan et al. (2023) emphasize that governance effectiveness strengthens the relationship between green innovation and financial performance. Strong governance structures enable firms to implement green innovation strategically and sustainably (Batool et al., 2025).

Therefore, corporate governance plays a crucial mediating role in ensuring that green innovation translates into improved business performance.

H4: Corporate Governance mediates the relationship between Green Innovation and business performance.

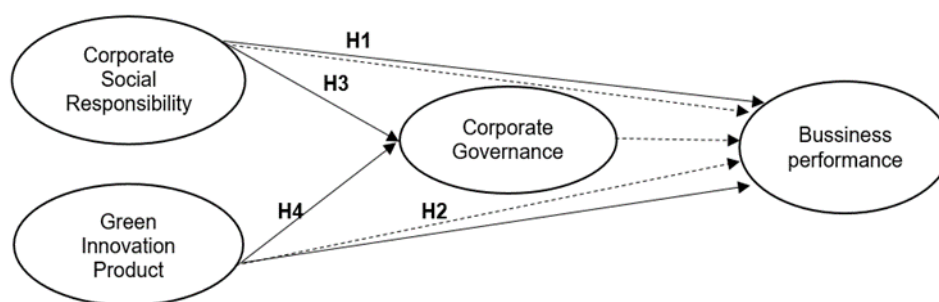


Figure 1. Research Framework

Methods

This study employed a quantitative approach with an exploratory research design to describe and analyze the phenomenon under investigation (Cooper & Schindler, 2014). The primary data were collected through the distribution of structured questionnaires to creative industry actors in the ikat woven fabric sector in East Nusa Tenggara (NTT).

The population consisted of woven fabric creative industry actors across several regions on Flores Island, including West Manggarai Regency, Manggarai Regency, Sikka Regency, and Ende Regency. Data collection was conducted in two stages. First, the sample size was determined using quota sampling to ensure proportional representation across regions. Second, purposive sampling was applied based on specific criteria, namely active business operators involved in ikat weaving production and management. A total of 55 valid responses were obtained.

The data were analyzed using Structural Equation Modeling with Partial Least Squares (SEM-PLS), implemented through SmartPLS version 3.0. SEM-PLS was selected because it is suitable for small sample sizes and exploratory research models. According to Hair et al. (2014), the SEM-PLS procedure involves evaluating two main components: the measurement model, which assesses the validity and reliability of the indicators in measuring latent variables, and the structural model, which examines the relationships among latent constructs. The conceptual framework was first developed based on theoretical foundations and empirical studies, then translated into a path diagram to illustrate the relationships between variables before being estimated statistically.

The operational variables in this study consisted of two independent variables, Corporate Social Responsibility and Green Innovation; one dependent variable, Business Performance; and one mediating variable, Corporate Governance. Each construct was measured using multiple indicators adapted from prior studies and assessed using a Likert scale.

Table 1. Operational Variables

No.	Variable	Indicators	Measurement Scale
1	Corporate Social Responsibility (CSR)	1. Social activities 2. Environmental management 3. Employee responsibility 4. Community development involvement 5. Transparency of social programs	Likert scale (1–4)
2	Green Product Innovation (GPI)	1. Use of environmentally friendly materials 2. Innovation in production processes 3. Recyclable products 4. Product design improvement 5. Use of technology	Likert scale (1–4)
3	Corporate Governance (GCG)	1. Organizational structure 2. Supervision mechanism 3. Transparency 4. Accountability 5. Compliance	Likert scale (1–4)

4	Business Performance (BP)	1. Sales growth 2. Business sustainability 3. Number of customers 4. Customer satisfaction	Likert scale (1–4)
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Source: Compiled by the author (2025).

Results and Discussion

Descriptive Analysis

The provisions for descriptive analysis in this study are as follows:

$$\text{Scale Range} = \frac{\text{Highest Score} - \text{Lowest Score}}{\text{Many Scores}}$$

$$\text{Scale Range} = \frac{4 - 1}{4}$$

$$\text{Scale Range} = 0.75$$

Table 1. Likert Scale Interval Classification

Interval	Category
1.00 – 1.75	Strongly Disagree
1.76 – 2.50	Disagree
2.51 – 3.25	Agree
3.26 – 4.00	Strongly Agree

From the calculation of the scale range, the average category of respondents' answers is as follows:

Table 2. Mean Score Categories of Research Variables

Variable	Indicator	Mean	Category
Corporate Social Responsibility	X1.1	3.09	Agree
Corporate Social Responsibility	X1.2	3.47	Strongly Agree
Corporate Social Responsibility	X1.3	2.93	Agree
Corporate Social Responsibility	X1.4	3.33	Strongly Agree
Corporate Social Responsibility	X1.5	2.89	Agree
Green Innovation	X2.1	3.96	Strongly Agree
Green Innovation	X2.2	3.75	Strongly Agree
Green Innovation	X2.3	3.82	Strongly Agree
Green Innovation	X2.4	3.27	Strongly Agree
Green Innovation	X2.5	3.25	Strongly Agree
Green Innovation	X2.6	3.13	Agree
Good Corporate Governance	Z.1	2.93	Agree
Good Corporate Governance	Z.2	2.91	Agree
Good Corporate Governance	Z.3	3.20	Agree
Good Corporate Governance	Z.4	3.25	Strongly Agree
Good Corporate Governance	Z.5	3.02	Agree
Good Corporate Governance	Z.6	2.95	Agree
Good Corporate Governance	Z.7	3.20	Agree
Good Corporate Governance	Z.8	3.07	Agree
Good Corporate Governance	Z.9	2.73	Agree

Business Performance	Y.1	2.91	Agree
Business Performance	Y.2	2.87	Agree
Business Performance	Y.3	3.02	Agree
Business Performance	Y.4	2.93	Agree
Business Performance	Y.5	3.69	Strongly Agree
Business Performance	Y.6	3.60	Strongly Agree
Business Performance	Y.7	3.25	Strongly Agree
Business Performance	Y.8	3.49	Strongly Agree

The average value of CSR indicators ranged from 2.89 to 3.47. These results indicate that creative industry players in the Ikat woven fabric industry in East Nusa Tenggara (NTT) have fulfilled their social responsibilities well, especially in indicators X1.2 and X1.4, which had the highest scores of 3.47 and 3.33, respectively. This means that respondents considered the company's CSR activities to have made a positive contribution to the social environment and business sustainability. The Green Product Innovation variable obtained a relatively high average value, ranging from 3.13 to 3.96. These results indicate that creative industry players in the ikat weaving industry in East Nusa Tenggara (NTT) have engaged in innovation by applying environmentally friendly principles throughout the production process, material use, and product design. Indicator X2.1 had the highest average value (3.96), indicating a strong awareness of the importance of green innovation. Overall, these findings confirm that commitment to sustainable innovation has become an important part of the business strategy in this industry. Good Corporate Governance. The average value of the GCG variable ranges from 2.73 to 3.25, with a dominant interpretation. This means that good corporate governance has been implemented effectively, although not optimally. Only indicator Z.4 (average 3.25) reached the highest category, indicating that transparency and accountability are the aspects most valued by respondents. The Business Performance variable shows an average value ranging from 2.87 to 3.69. The highest values are found in indicators Y.5 (3.69), Y.6 (3.60), and Y.7 (3.25), which indicate an increase in the number of customers and customer satisfaction resulting from effective and competitive business practices. Overall, these findings confirm that CSR, green innovation, and good corporate governance have made a positive contribution to improving the business performance of the ikat woven fabric creative industry in East Nusa Tenggara (NTT).

Evaluation of the Measurement Model (Outer Model)

Convergent Validity

Convergent validity was assessed by examining the outer loading values, Average Variance Extracted (AVE), Composite Reliability (CR), and Cronbach's Alpha (CA). An indicator is considered valid if the outer loading value exceeds 0.70. A construct is considered reliable if the Composite Reliability and Cronbach's Alpha values are greater than 0.70, and the AVE value exceeds 0.50.

The results indicate that all indicators have outer loading values above 0.70, demonstrating adequate convergent validity. Furthermore, all constructs show Composite Reliability and Cronbach's Alpha values above the recommended threshold of 0.70, while the AVE values exceed 0.50. These findings confirm that all variables meet the criteria for convergent validity and internal consistency reliability.

Table 3. Convergent Validity Results

Variable	Indicator	Outer Loading	CA	CR	AVE	Description
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Corporate Social Responsibility	X1.1	0.734	0.730	0.823	0.686	Valid
	X1.2	0.765				Valid
	X1.3	0.795				Valid
	X1.4	0.794				Valid
	X1.5	0.773				Valid
Green Innovation	X2.1	0.795	0.791	0.796	0.596	Valid
	X2.2	0.768				Valid
	X2.3	0.778				Valid
	X2.4	0.729				Valid
	X2.5	0.762				Valid
	X2.6	0.722				Valid
Good Corporate Governance	Z.1	0.727	0.806	0.855	0.606	Valid
	Z.2	0.750				Valid
	Z.3	0.782				Valid
	Z.4	0.774				Valid
	Z.5	0.706				Valid
	Z.6	0.743				Valid
	Z.7	0.795				Valid
	Z.8	0.728				Valid
	Z.9	0.709				Valid
Business Performance	Y.1	0.725	0.739	0.814	0.564	Valid
	Y.2	0.737				Valid
	Y.3	0.745				Valid
	Y.4	0.773				Valid
	Y.5	0.734				Valid
	Y.6	0.748				Valid
	Y.7	0.739				Valid
	Y.8	0.725				Valid

Source: Data processed by the author (2025)

Corporate Social Responsibility

All CSR indicators (X1.1–X1.5) exhibited external loading values ranging from 0.734 to 0.795, indicating validity, exceeding the minimum threshold of 0.70. A Cronbach's Alpha (CA) value of 0.730 and a Composite Reliability (CR) value of 0.823 indicated excellent internal consistency, while the Average Variance Extracted (AVE) value of 0.686 indicated that more than 68.6% of the variance in the indicators could be explained by the CSR construct. Therefore, it can be concluded that the indicators used accurately reflect corporate social responsibility variables in the context of the ikat woven fabric creative industry in East Nusa Tenggara (NTT).

Green Innovation

Green Innovation indicators (X2.1–X2.6) had external loading values ranging from 0.722 to 0.795, all of which were valid and met the requirements for convergent validity. The CAI value of 0.791, CR value of 0.796, and AVE value of 0.596 also indicate good reliability and strong convergent validity. These results indicate that the Green Innovation construct has been consistently measured by its indicators, such as environmental innovation in materials,

processes, and design. Overall, these findings confirm that the Green Innovation variable is well-defined and capable of representing the concept of green innovation among weaving industry players in East Nusa Tenggara (NTT).

Good Corporate Governance

For the GCG variable (Z.1–Z.9), the external loadings ranged from 0.706 to 0.795, all of which are considered valid. The CAI value of 0.806 and CR value of 0.855 indicate high reliability, while the AVE value of 0.606 indicates that the indicators explain more than 60% of the construct's variance. These results indicate that each GCG indicator, such as transparency, accountability, and responsibility, makes a strong contribution to the formation of the good corporate governance construct. Therefore, these variables are proven to have strong convergent validity and can be relied upon to explain the mediating role of CSR in business performance.

Business Performance

Business Performance indicators (Y.1–Y.8) have external loadings ranging from 0.725 to 0.773, all of which meet validity criteria. A CAI value of 0.739 and a CR value of 0.814 indicate good measurement consistency, while an AVE value of 0.564 confirms that the business performance construct has adequate convergent validity. These results indicate that indicators such as productivity, efficiency, sales growth, and customer satisfaction consistently reflect business performance. Based on these results, it can be concluded that the research instrument used to measure business performance in the ikat woven fabric creative industry in East Nusa Tenggara (NTT) meets the required validity and reliability standards.

Discriminant Validity (Cross-Loading)

Discriminant validity was evaluated using the cross-loading criterion. An indicator is considered to have adequate discriminant validity if its loading on the intended latent construct is higher than its loadings on other constructs.

Based on the cross-loading results presented in Table 3, each indicator loads highest on its respective construct compared to other latent variables. Indicators X1.1 to X1.5 show the strongest correlations with the Corporate Social Responsibility construct. Similarly, indicators X2.1 to X2.6 load highest on Green Innovation, indicators Z.1 to Z.9 load highest on Good Corporate Governance, and indicators Y.1 to Y.8 load highest on Business Performance.

These findings confirm that all constructs demonstrate satisfactory discriminant validity, indicating that each construct is empirically distinct and accurately measured by its respective indicators.

Table 4. Discriminant Validity Results (Cross-Loadings)

Indicator	Corporate Social Responsibility	Green Innovation	Good Corporate Governance	Business Performance
X1.1	0.734	0.523	0.493	0.535
X1.2	0.765	0.585	0.543	0.311
X1.3	0.795	0.468	0.301	0.392
X1.4	0.794	0.478	0.596	0.512
X1.5	0.773	0.429	0.597	0.370
X2.1	0.415	0.795	0.580	0.540
X2.2	0.495	0.768	0.301	0.392
X2.3	0.494	0.778	0.596	0.512
X2.4	0.473	0.729	0.597	0.370

X2.5	0.340	0.762	0.435	0.540
X2.6	0.336	0.722	0.478	0.469
Z.1	0.542	0.591	0.727	0.328
Z.2	0.354	0.270	0.750	0.347
Z.3	0.513	0.554	0.782	0.570
Z.4	0.344	0.418	0.774	0.360
Z.5	0.447	0.480	0.706	0.576
Z.6	0.577	0.319	0.743	0.599
Z.7	0.355	0.360	0.795	0.443
Z.8	0.342	0.459	0.728	0.389
Z.9	0.545	0.560	0.709	0.544
Y.1	0.410	0.433	0.417	0.725
Y.2	0.570	0.599	0.301	0.737
Y.3	0.422	0.394	0.539	0.745
Y.4	0.379	0.437	0.562	0.773
Y.5	0.360	0.364	0.333	0.734
Y.6	0.187	0.366	0.411	0.748
Y.7	0.580	0.555	0.596	0.739
Y.8	0.560	0.571	0.545	0.725

Source: Data processed by the author (2025)

Table 5. *Fornell – Lacker Criterion*

	Corporate Social Responsibility	Green Innovation	Good Corporate Governance	Business Performance
Corporate Social Responsibility	0.797			
Green Innovation	0.600	0.730		
Good Corporate Governance	0.623	0.678	0.737	
Business Performance	0.682	0.618	0.601	0.704

Table 6. Discriminant of HTMT Ratio

	Corporate Social Responsibility	Green Innovation	Good Corporate Governance	Business Performance
Corporate Social Responsibility				
Green Innovation	0.743			
Good Corporate Governance	0.761	0.789		
Business Performance	0.749	0.760	0.766	

Based on the table above, the three discriminant validity measurement models, namely cross-loading, the Fornell-Larcker criterion, and the HTMT ratio, were met well. For discriminant validity with the cross-loading model, it can be seen that indicators X1.1 - X1.5 have the highest correlation with the corporate social responsibility variable. Likewise, other indicators have the highest correlation with each of their latent variables. Furthermore, for discriminant validity

using the Fornell-Larcker Criterion method, it is seen that the value for each variable is greater than the correlation of the other variables. Finally, for discriminant validity testing using the HTMT ratio method, it is seen that the correlation value between latent variables is less than 0.9.

Evaluation of the Structural Model (Inner Model)

R-Square (Coefficient of Determination)

Table 7. R-Square Results

Variable	R-Square	Adjusted R-Square
Good Corporate Governance	0.776	0.768
Business Performance	0.892	0.885

Source: Data processed by the author (2025)

Based on the results presented in the table above, the first substructure shows an adjusted R-square value of 0.768. This indicates that Corporate Social Responsibility and Green Innovation explain 76.8 percent of the variance in Good Corporate Governance, while the remaining 23.2 percent is influenced by other variables not included in the model.

In the second substructure, the adjusted R-square value is 0.885. This means that Corporate Social Responsibility, Green Innovation, and Good Corporate Governance collectively explain 88.5 percent of the variance in Business Performance, whereas 11.5 percent is explained by other factors outside the model. These findings demonstrate that the model has strong explanatory power in predicting Business Performance.

Table 8. *Q – Square*

	SSO	SSE	Q ² (=1-SSE/SSO)
Good Corporate Governance	495.000	371.782	0.249
Business Performance	440.000	331.122	0.247

Based on the data above, the variables influenced in this study have a Q-Square value of 0.249 > 0 and 0.247 > 0. This means that this study is considered good, because it has a good predictive relevance value.

Table 9. *f – Square*

	f-square	Information
Corporate Social Responsibility → Business Performance	0.190	Moderate
Green Innovation → Business Performance	0.207	Moderate

Based on the table above, the data processing results show that each path in this study has a "moderate" effect size in the structural model.

Hypothesis Testing (Bootstrapping)

Table 5. Hypothesis Testing

No.	Structural Path	Original Sample (O)	Sample Mean (M)	Standard Deviation	T-Statistic	P-Value	Decision
H1	Corporate Social Responsibility → Business Performance	0.529	0.519	0.209	2.594	0.014	Accepted

H2	Green Product Innovation → Business Performance	0.572	0.559	0.290	2.885	0.002	Accepted
H3	Corporate Social Responsibility → Good Corporate Governance → Business Performance	0.565	0.560	0.141	2.648	0.007	Accepted
H4	Green Product Innovation → Good Corporate Governance → Business Performance	0.580	0.573	0.171	2.843	0.001	Accepted

The results of the analysis show that Corporate Social Responsibility (CSR) has a positive and significant influence on the Business Performance of the woven fabric industry in East Nusa Tenggara (NTT), with a t-value of $2.594 > 1.96$ and a p-value of $0.014 < 0.05$. This finding indicates that the higher the level of CSR implementation by the woven fabric industry players in NTT, especially in Manggarai, West Manggarai, Sikka, and Ende Regencies, the better their business performance. The implementation of CSR in the woven fabric creative industry includes environmental preservation and protection, the welfare of artisans, and participation in local community development. This positive impact is reflected in an increase in the number of customers, higher sales volume, greater customer loyalty, and higher customer satisfaction, which are driven by the high quality of woven fabric products and the sustainability of the artisans' businesses. Theoretically, the results of this study are in line with the stakeholder theory perspective (Freeman, 1984), which states that a company's success is determined not only by its financial performance but also by how well the company can meet the expectations of its stakeholders. In the context of the ikat woven fabric creative industry in East Nusa Tenggara (NTT), particularly in Manggarai, West Manggarai, Sikka, and Ende Regencies, CSR implementation not only creates economic value but also produces social and cultural value, thereby strengthening regional competitiveness. These findings support previous studies conducted by Sumiati and Susanto (2021) and Nurhidayah Amalia and Ni'am (2022) which prove that consistent CSR implementation can improve reputation, public trust, and sustainable business performance. Furthermore, W. P. Rahayu et al. (2023) revealed that CSR programs focused on local economic empowerment encourage increased productivity and sustainability among small businesses. Therefore, it can be concluded that CSR is not only a moral obligation but also an effective business strategy for SMEs to sustainably improve their financial, social, and environmental performance.

The results of the analysis show that Green Product Innovation has a positive and significant influence on the Business Performance of the woven fabric industry in East Nusa Tenggara (NTT), with a t-value of $2.885 > 1.96$ and a p-value of $0.002 < 0.05$. This finding indicates that the higher the level of green product innovation implemented by the woven fabric industry in NTT, the better its business performance. This means that creative industry players in woven fabric in NTT have innovated and implemented environmentally friendly principles in various aspects, including production processes, material use, and product design. The environmentally friendly product innovation implemented in the woven fabric industry in Manggarai, West Manggarai, Sikka, and Ende districts includes several aspects. In the yarn dyeing process, non-

organic (chemical) and organic (natural) materials are used. Natural dyes come from local plants, making them environmentally friendly. In addition, this industry applies environmentally friendly (traditional) technology, which indirectly shows its awareness and concern for environmental impacts. The ikat woven fabric industry continues to innovate to improve the quality and durability of its products. Product design, particularly motif tying techniques, has been adapted to meet customer demand while considering business sustainability. The implementation of green product innovation has positively impacted the business performance of the ikat woven fabric creative industry in Manggarai, West Manggarai, Sikka, and Ende Regencies, increasing the number of consumers and sales, thereby boosting industry profits. A study by Yu Shan Chen (2008) found that green innovation positively impacts company performance by improving operational efficiency and strengthening the company's environmental image in the eyes of consumers. Furthermore, this finding is supported by research by Sumiati and Susanto (2021), which shows that green product innovation also has a positive impact on business performance at the small and micro enterprise scale. In the context of the ikat woven fabric industry in East Nusa Tenggara (NTT), particularly in the regencies of Manggarai, West Manggarai, Sikka and Ende, the implementation of green innovation not only reflects environmental awareness but also serves as an adaptive strategy to respond to global market demands that increasingly emphasize sustainability. Therefore, green innovation is a crucial factor in strengthening business performance while preserving local culture through environmentally conscious production practices.

The results show that Corporate Social Responsibility (CSR) has a positive and significant influence on the business performance of the ikat woven fabric industry in East Nusa Tenggara (NTT) through Good Corporate Governance (GCG), with a t-value of $2.648 > 1.96$ and a p-value of $0.007 < 0.05$. These results indicate that effective CSR implementation will improve business performance if supported by efficient industrial governance. Responsible CSR practices, such as environmental conservation, empowerment of local weaving communities, and employee welfare, will operate more effectively if supported by GCG principles such as transparency, accountability, and social responsibility. In other words, Good Corporate Governance (GCG) functions as a mediating mechanism that strengthens the relationship between CSR and business performance. When CSR is implemented in accordance with good governance principles, trust in the woven fabric industry among customers, business partners, and the community will increase. This ultimately leads to improved reputation, customer loyalty, and business sustainability. These findings support the view that the combination of social responsibility and good governance is a key factor in creating competitive advantage and sustainable business performance in culture-based creative industries such as woven fabric. These findings are consistent with research conducted by Hasanah et al. (2025) and Suraicmaid (2020), which explains that CSR plays a role in strengthening reputation and community trust, while GCG serves as a mechanism to ensure consistent and effective CSR implementation. In the creative industry sector, such as SMEs, CSR coupled with good governance practices can improve competitiveness and business sustainability (Rahayu et al., 2024; Harpayudi et al., 2022). The results of this study indicate that the combination of CSR implementation and good governance can create long-term added value for companies.

These findings reinforce the view that Good Corporate Governance serves as a mediating mechanism, strengthening the effect of Green Product Innovation on business performance. With good governance, the ikat weaving industry in East Nusa Tenggara (NTT) can manage resources responsibly, maintain relationships with stakeholders, and ensure business sustainability. These findings align with research by Parves et al. (2023), which found that green innovation can improve business performance and corporate sustainability when

supported by a strong governance system. Research by Batool et al. (2025) supports these findings, stating that strong corporate governance practices can strengthen the relationship between green innovation and corporate environmental performance. Companies with good governance are more likely to effectively adopt sustainable practices and environmentally friendly innovations. In the context of creative industries such as the ikat weaving industry in East Nusa Tenggara (NTT), the combination of environmentally friendly innovation and good governance is a key factor in achieving sustainable competitive advantage and preserving local cultural values.

Conclusion

This study aims to determine the role of Corporate Governance in mediating the influence of Corporate Social Responsibility and Green Innovation on the business performance of the creative ikat weaving industry in East Nusa Tenggara (NTT). The research findings indicate that Corporate Social Responsibility (CSR) has a positive and significant influence on the business performance of the ikat weaving industry in East Nusa Tenggara (NTT). These results indicate that the higher the level of implementation of social responsibility by ikat weaving industry players in NTT, the better their business performance. Eco-Friendly Product Innovation also has a positive and significant influence on the business performance of the ikat weaving industry in NTT. These findings indicate that the higher the level of environmentally friendly product innovation among ikat weaving industry players in NTT, the better their business performance.

Corporate Social Responsibility (CSR) has a positive and significant influence on the business performance of the ikat weaving industry in East Nusa Tenggara (NTT) through Good Corporate Governance (GCG). These results indicate that appropriate CSR implementation can improve business performance if supported by effective industrial governance. Similarly, environmentally friendly product innovation has a positive and significant impact on the business performance of the ikat weaving industry in East Nusa Tenggara (NTT) through Good Corporate Governance (GCG). This indicates that environmentally friendly innovations implemented by ikat weaving industry players in NTT can improve business performance if accompanied by the implementation of good corporate governance.

This finding has important implications for the creative ikat weaving industry in East Nusa Tenggara (NTT), suggesting that the implementation of Good Corporate Governance principles needs to be strengthened, even though most weaving businesses remain small-scale or community-based. Furthermore, local governments and supporting institutions also play a crucial role in promoting the implementation of green product innovation through training programs, access to environmentally friendly financing, and facilitating green product certification. Thus, the synergy between green product innovation and good corporate governance not only improves business performance and sustainability but also strengthens the ikat weaving industry's position as a vital component of the local culture-based creative economy with global competitiveness.

Future research is expected to expand its scope by involving more creative industry players from various regions or subsectors to obtain more representative results. Additionally, future studies could include additional variables such as digital innovation, market orientation, or environmental sustainability performance to provide a more comprehensive understanding of the factors influencing creative industry business performance.

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