



## Sustainable Financial Management Practices and Firm Value: Evidence from Environmentally Responsible Companies in Indonesia

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#### **ABSTRACT**

This study examines how sustainable financial management practices (SFMP) influence firm value in environmentally responsible companies in Indonesia using a phenomenological qualitative approach. The research explores managers' lived experiences in implementing green capital budgeting, green financing, and green investment, and how these practices shape long-term value creation. Data were gathered through in-depth semi-structured interviews with finance managers, sustainability officers, and key decision-makers, supported by document analysis and limited observations. The findings show that sustainability is embedded in financial decision-making, where investment evaluations consider environmental impact, regulatory compliance, and long-term ecological benefits. Green financing appears as both a structural challenge and a strategic facilitator. While strict ESG requirements demand extensive documentation and verification, they also provide lower capital costs and serve as external validation of sustainability commitments. The study further reveals that green investments are viewed as essential for reducing regulatory and environmental risks, enhancing corporate reputation, and attracting ESG-oriented investors. A cultural shift is evident within firms, characterized by cross-department collaboration, transparency, and a managerial mindset oriented toward sustainability in financial decisions. These changes reinforce governance structures and support institutionalization of sustainability across business functions. Overall, SFMP are perceived to enhance firm value by improving reputation, lowering long-term risks, strengthening investor confidence, and increasing organizational resilience in dynamic regulatory environments. The study concludes that sustainability-driven financial practices play a transformative role in shaping corporate strategy, governance, and market positioning. These findings underscore the importance of sustainable financial management.

## INTRODUCTION

The implementation of sustainable financial management has become increasingly important as global pressure intensifies toward socially and environmentally responsible business practices. Companies today are expected not only to generate profits but also to ensure that their financial decisions align with long-term sustainability objectives. Financial practices that incorporate environmental aspects have been shown to contribute strategically through reduced risks, lower operating costs, and enhanced corporate reputation in the eyes of investors (Fatemi et al., 2018). In addition, rising public awareness and regulatory requirements related to sustainability have strengthened the pressure on companies to integrate environmental principles into their management practices. As a result, firm value is increasingly influenced by how well companies demonstrate their commitment to sustainability, particularly through financing decisions, investment activities, and capital budgeting that support environmentally responsible initiatives (Capelle-Blancard & Petit, 2019). The development of sustainability practices in Indonesia has accelerated as government regulations and financial institutions encourage the adoption of ESG standards. Many companies that previously focused only on financial growth now integrate environmental aspects into their reporting and business strategies. The increasing number of firms achieving high ratings in the PROPER program reflects the growing awareness of sustainable business practices. Companies with strong environmental performance typically maintain robust governance structures and are better equipped to manage operational risks (Li et al., 2020). This condition sends a positive signal to investors, ultimately enhancing market perceptions of firm value. Additionally, the rise of ESG indexes in the Indonesian Stock Exchange indicates that the capital market has begun to reward companies committed to long-term sustainability (Widyawati, 2020).

Green capital budgeting plays a vital role in supporting corporate sustainability, as long-term investment decisions must consider both environmental impacts and economic benefits. Environmentally friendly projects, such as renewable energy systems or emission-reduction technologies, require investment assessments that go beyond traditional financial indicators by accounting for broader social and environmental benefits (Li et al., 2020). Integrating sustainability into capital budgeting enhances the quality of corporate decision-making and strengthens competitive positioning within the industry. Investors are also more likely to assign higher valuations to companies that engage in green investments, as they are perceived to face lower risks and possess better long-term growth potential (Capelle-Blancard & Petit, 2019). Therefore, green capital budgeting is an essential component in shaping firm value in the modern business environment. Beyond investment decisions, access to green financing has become a major driver of corporate sustainability. Financing instruments such as green bonds and sustainability-linked loans provide lower capital costs for companies with strong environmental performance, thereby motivating them to continuously enhance their sustainability policies (Broadstock et al., 2021). In Indonesia, the expansion of sustainable financing instruments has accelerated with the support of regulatory frameworks developed by the government and financial authorities focused on advancing the green economy. Green financing not only provides financial support but also sends a positive market signal regarding a company's credibility and commitment to managing environmental issues (Fatemi et al., 2018). As a result, companies with greater access to green financing tend to exhibit higher market valuations because they are viewed as better prepared to respond to long-term environmental challenges.

Sustainable investment, or green investment, also plays a strategic role in creating firm value. Companies that invest in green technologies, low-emission products, or carbon-reduction initiatives tend to gain new growth opportunities and strengthen their public reputation. Reputation is a crucial factor in determining firm value, particularly for investors who prioritize sustainability considerations (Widyawati, 2020). In addition to enhancing reputation, green investment enables companies to reduce dependence on fossil energy, improve operational efficiency, and increase responsiveness to global regulatory changes (Capelle-Blancard & Petit, 2019). Research shows that companies with consistent green investment practices experience more stable financial performance and lower long-term risks than those that neglect

environmental considerations (Li et al., 2020). Thus, green investment provides substantial contributions to sustainable firm value. Investor attention to sustainability has also shaped investment behavior, as they have become more selective in evaluating firms based on environmental, social, and governance performance. Global institutional investors increasingly show strong preferences for companies that consistently implement sustainability principles because such firms are perceived as more resilient in volatile market conditions (Friede et al., 2015). In Indonesia, a similar trend is evident in the growing demand for ESG-based portfolios, indicating that sustainability is no longer viewed as a pure cost but as a strategy that enhances investment attractiveness. Empirical evidence suggests that firms with stronger environmental performance tend to exhibit lower stock price volatility, which signals lower risk for long-term investors (Aouadi & Marsat, 2018). This reinforces the argument that sustainable financial management practices directly affect market perceptions and, ultimately, firm value.

Changes in the regulatory landscape have also played a major role in encouraging firms to adopt sustainable financial practices. The Indonesian government has introduced several policy instruments, such as a sustainable finance roadmap, green taxonomy, and sustainability reporting requirements for financial institutions and listed companies, to ensure that financial decisions increasingly account for environmental and social risks. These regulations aim to standardize evaluation criteria so that firms with stronger sustainability performance can obtain easier and cheaper access to capital. In addition, the development of ESG indices in the Indonesian capital market provides clearer benchmarks for investors in assessing corporate sustainability performance. As regulatory pressure intensifies, sustainable financial management becomes a key lever that links compliance, risk mitigation, and the long-term enhancement of firm value. Beyond regulation, pressure from consumers and society has increasingly pushed firms to demonstrate credible commitments to sustainability. In the digital era, public perceptions of firms are quickly shaped by social media, news coverage, and corporate reporting, making reputation a critical determinant of long-term firm value (Clark et al., 2015). Modern consumers tend to prefer products and services from companies that show environmental responsibility, so sustainable financial management that supports green investments can create a competitive advantage that is difficult for rivals to imitate. In Indonesia, shifting consumer preferences can be seen in growing demand for green products, clean energy solutions, and low-emission technologies. These dynamics show that sustainable financial practices generate not only internal benefits but also external market advantages that contribute to firm value.

From a macroeconomic perspective, the adoption of sustainable financial practices plays an important role in the transition toward a low-carbon economy. Firms that direct capital toward sustainable projects effectively support national targets for emission reduction and energy efficiency. In contrast, firms that fail to integrate sustainability considerations into their financial and investment strategies face higher transition risks, including rising operating costs and declining competitiveness as energy and environmental policies become more stringent (Ng & Tao, 2016). Empirical research shows that firms that adjust their financial and investment strategies earlier to meet sustainability requirements tend to enjoy greater potential for long-term value creation (Fernando et al., 2017). Thus, sustainable financial management is not merely a micro-level issue but also a component of national economic strategy that influences the overall competitiveness of key industries. In the context of environmentally responsible companies in Indonesia, firm value is determined not only by current profitability and conventional financial ratios but also by the extent to which firms embed sustainability into financial decision-making. Practices such as green capital budgeting, green financing, and green investment work simultaneously to create a financial management ecosystem that supports long-term sustainability. Firms that consistently allocate capital to green projects tend to experience gains in operational efficiency, stronger investor confidence, and more favorable market perceptions, all of which contribute to higher firm value (Friede et al., 2015; Fernando et al., 2017). As Indonesia accelerates its transition toward a green economy, companies that position sustainable financial management as a strategic priority are likely to be better prepared to face regulatory changes, stakeholder pressure, and market dynamics. This underlines the

importance of examining how sustainable financial management practices influence firm value among environmentally responsible firms in Indonesia.

Technological transformation in the financial sector has also accelerated the integration of sustainability into corporate decision-making. Modern financial information systems enable managers to identify, monitor, and evaluate environmental risks more accurately, allowing investment and financing decisions to be directed toward projects that generate positive sustainability impacts. Financial technologies and data analytics provide firms with more comprehensive assessments of the costs and benefits of environmentally friendly projects, including projected energy savings, emission reductions, and waste management efficiencies (Khan et al., 2019). In Indonesia, the digitalization of sustainability reporting is increasingly supported by regulators through GRI- and SASB-based guidelines, which enhance transparency and allow investors to evaluate environmental performance more effectively. The use of digital tools in sustainable financial management reinforces the notion that firms responsive to innovation and sustainability are more likely to achieve superior long-term value creation. A growing body of research also demonstrates that integrating sustainability into financial strategy leads to improvements in overall corporate performance. Practices such as environmental cost management, energy efficiency initiatives, and the use of sustainable resources contribute to operational profitability and strengthen capital structure (García-Sánchez et al., 2020). Firms that reduce dependence on carbon-intensive resources tend to face lower transition risks, making them more attractive to investors who prioritize long-term stability. Cross-country evidence shows that companies with strong environmental policies often enjoy healthier leverage levels and more favorable credit access (Broadstock et al., 2020). These findings confirm that embedding sustainability into financial management not only enhances firm value but also builds greater financial resilience in dynamic market environments.

From a competitive standpoint, sustainable financial practices generate distinct advantages in industries facing intense competition and disruption from green technologies. Firms that adopt green investment and sustainable financing earlier tend to adapt more effectively to shifting market demands, especially from consumers and business partners increasingly concerned about environmental impacts (Agyemang et al., 2020). This competitive edge can manifest in increased market share, stronger customer loyalty, and higher investor interest. In Indonesia, sectors such as manufacturing, energy, and agribusiness illustrate that firms employing green finance strategies gain more opportunities, particularly from multinational corporations with sustainable supply chain standards. Hence, sustainable financial practices affect not only internal financial outcomes but also external competitiveness, ultimately contributing to firm value. Globalization and the integration of international markets further amplify the importance of sustainable financial practices for Indonesian firms. Foreign investors now assess companies based on global sustainability standards rather than solely on traditional financial indicators. Companies that fail to meet international ESG benchmarks risk losing access to financing, partnerships, and new markets (García-Sánchez & Noguera-Gámez, 2017). Conversely, firms that proactively implement green financing, green budgeting, and sustainability reporting tend to attract stronger support from global markets. As Indonesia participates more actively in international sustainability agendas such as the Paris Agreement, companies must ensure that their financial and operational practices align with national emission-reduction targets and climate adaptation commitments. This global alignment enhances firm value through improved market trust and reduced regulatory exposure.

Ultimately, Indonesia's transition toward a green economy demonstrates that sustainability has become integral to long-term corporate value creation. Firms that consistently implement green capital budgeting, green financing, and green investment tend to achieve more stable financial performance and lower business risks in the long run (Agyemang et al., 2020). Among environmentally responsible firms, embedding sustainability into financial management strengthens not only environmental performance but also market confidence, investor appeal, and corporate fundamentals. As expectations for transparency, innovation, and environmental responsibility continue to rise, firms that position sustainable financial

management as a core business strategy are more likely to sustain firm value and maintain competitive advantage. Therefore, examining the relationship between sustainable financial practices and firm value is essential to understanding how Indonesian companies can strengthen their position in the emerging green economy.

## RESEARCH METHOD

The research adopts a qualitative approach using a phenomenological design to explore the lived experiences, perceptions, and meanings constructed by decision-makers regarding sustainable financial management practices in environmentally responsible companies in Indonesia. A phenomenological approach is appropriate because it enables the researcher to uncover the essence of the experiences of finance managers, sustainability officers, and internal stakeholders in applying green capital budgeting, green financing, and green investment in real organizational settings. Rather than examining statistical relationships between variables, this study emphasizes in-depth exploration of subjective experiences, allowing a holistic understanding of how sustainable financial practices are perceived to influence firm value. Data were collected through in-depth interviews with key informants who have direct experience in designing, implementing, or evaluating sustainable financial management practices. Informants were selected using purposive sampling based on the criteria: (1) working in companies with strong environmental commitments, such as those classified in PROPER Green or Gold or listed in ESG indexes; (2) having direct responsibility in capital budgeting, financing, or investment processes; and (3) holding a strategic position related to finance or sustainability for at least two years. To diversify perspectives, snowball sampling was also applied when necessary, whereby initial informants recommended additional qualified participants.

Primary data were obtained through semi-structured interviews lasting 45–90 minutes. Interviews were conducted face to face or online via video communication platforms, depending on informant availability. The interview guide focused on three main phenomena: experiences in applying green capital budgeting, experiences in accessing and utilizing green financing, and perceptions regarding the implementation of green investment and its relevance to firm value. Open ended questions were used to encourage informants to share their experiences freely and reflectively, enabling rich and detailed narratives. In addition to interviews, supporting data were gathered through document analysis, including sustainability reports, annual reports, internal corporate guidelines on sustainable financial policies, as well as PROPER and ESG documents. These documents were used to verify interview statements and provide contextual understanding of the sustainability policies and practices adopted by the companies. Limited observation either through site visits or digital exploration was also employed to better understand the operational context, particularly in relation to ongoing sustainability initiatives.

Data analysis followed phenomenological techniques outlined by Creswell and Moustakas, involving epoche, horizontalizing, clustering of meaning units, development of thematic categories, and formulation of textural and structural descriptions. In the epoche phase, the researcher bracketed personal biases to focus solely on the participants' experiences. Significant statements from the interviews were identified and organized into meaning units, which were then grouped into broader thematic structures. These themes captured the essence of participant experiences related to green budgeting, green financing, green investment, and their perceptions of how such practices shape firm value. The next steps involved constructing textural descriptions, which provide detailed accounts of "what" the participants experienced concerning sustainable financial management practices. These descriptions highlight concrete experiences such as evaluating green project feasibility, accessing green financing instruments, or addressing challenges in implementing sustainable investments. Structural descriptions were then developed to illustrate how the experiences occurred, including internal corporate factors, organizational culture, government regulations, investor pressures, and market dynamics that shape the implementation of sustainable financial practices.

To clarify the scope of inquiry, this study involved 12 key informants selected using purposive–snowball sampling. These informants consisted of CFOs, finance managers, sustainability managers, ESG officers, and strategic-level financial analysts who have direct responsibility in implementing sustainable financial management practices. Each informant had a minimum of two years of experience in sustainability-related financial decision-making. The informants were drawn from companies operating in three major environmentally sensitive sectors, namely:

**Energy and Mining**

Firms classified under PROPER Green/Gold with active initiatives in emissions reduction, renewable energy adoption, and waste management.

**Manufacturing and Agribusiness**

Companies with high environmental footprints that have implemented green capital budgeting and green financing to support efficiency and environmental compliance.

**Services and Infrastructure**

Corporations involved in transportation, utilities, and logistics that integrate sustainability frameworks into operational financing and investment decisions.

The selection of these sectors ensures representation across industries with varying levels of environmental exposure and regulatory pressure, enabling a richer understanding of how sustainable financial management practices are applied in different corporate contexts. Informants were chosen based on their direct involvement in budgeting, financing, or investment processes related to sustainability initiatives, ensuring that the narratives collected accurately capture the lived experiences of decision-makers. To ensure research credibility, various validation strategies were applied, including source triangulation and method triangulation. Source triangulation compared information across informants with different roles and backgrounds, while method triangulation compared interview data with company documents, sustainability reports, and observations. Member checking was conducted by asking selected informants to verify the researcher’s interpretations to ensure accuracy and authenticity of the findings. An audit trail was maintained to document analytical decisions and methodological steps throughout the study. Ethical considerations were strictly followed by informing all participants of the research purpose, data usage, and their right to withdraw at any time without consequence. Informant identities were anonymized using codes or pseudonyms to protect confidentiality. All data were stored in encrypted systems to safeguard sensitive corporate information. By applying rigorous ethical procedures and comprehensive phenomenological analysis, this study aims to generate a deep understanding of the essence of practitioners’ experiences in implementing sustainable financial management practices and how such practices are perceived to influence firm value.

**Table 1. Research Phenomenon Focus**

Phenomenon Focus	Key Research Question	Exploration Objective
Green Capital Budgeting	How do informants experience evaluating and selecting green projects?	To explore the processes, risk considerations, and environmental benefits assessed by managers.
Green Financing	How do informants experience obtaining and utilizing green financing, and what challenges	To understand the dynamics of accessing green bonds, ESG loans, and sustainable financing schemes.

	emerge?	
Green Investment	How do companies interpret green investments in relation to sustainability and firm value?	To uncover strategic meaning, business opportunities, and perceived risks of green investments.
Perceived Firm Value	How are sustainable financial practices understood to influence firm value?	To identify the meaningful connections between sustainability practices, reputation, risk, and investor attractiveness

**Table 2. Informant Criteria**

Criteria	Description
Job Position	CFO, Finance Manager, Sustainability Manager, ESG Officer, or other strategic roles related to finance and sustainability.
Minimum Experience	At least two years of work experience in finance or sustainability-related roles.
Type of Company	Firms with strong environmental commitments such as PROPER Green/Gold, IDX ESG Leaders, or companies with established sustainability policies.
Direct Involvement	Informants must be directly involved in budgeting, financing, or sustainable investment processes.
Interview Willingness	Willing to participate in a 45–90 minute interview and provide supporting documents when relevant.

**Table 3. Data Collection Techniques**

Technique	Description	Rationale for Use
In-depth Interviews	Semi-structured interviews lasting 45–90 minutes, conducted face-to-face or online.	To uncover subjective, reflective, and detailed lived experiences.
Documentation	Sustainability reports, annual reports, internal policies, PROPER documentation, ESG index data.	To validate interview findings and strengthen contextual understanding of the phenomenon.
Limited Observation	Site visits or digital observation of ongoing green projects.	To understand the real operational context of sustainable financial decisions.

**Table 4. Phenomenological Data Analysis Procedures (Moustakas & Creswell)**

Analysis Stage	Process Performed	Output
Epoche	Researcher brackets personal biases and assumptions.	Neutral stance before analyzing data.

Horizontalizing	Identifying significant statements from interviews.	Basic meaning units
Clustering	Grouping meaning units into themes.	Major thematic categories.
Textural Description	Describing what participants experience.	Narrative of the lived experiences.
Structural Description	Describing how the experiences occur.	Explanation of context and experience dynamics
Essence Synthesis	Integrating findings to capture the phenomenon's essence.	Deep phenomenological conclusion

**RESULT**

The findings reveal that informants perceive the process of green capital budgeting as a strategic decision that goes beyond conventional financial considerations. They explained that projects deemed worthy are not only those with high returns but also those generating positive environmental impact and enhancing corporate reputation. Informants emphasized that evaluating green projects involves assessing emissions reduction, energy efficiency, social impact, and regulatory compliance. This demonstrates a transformation in capital budgeting from a short-term profit orientation to a long-term sustainability instrument. They also noted that these practices increase internal managerial confidence, as companies appear more prepared to face environmental pressures and regulatory changes.

**Table 5. For Research Findings (Thematic Result)**

No.	Main Theme	Description of Findings	Example Informant Quote
1.	Multi-Dimensional Considerations in Green Capital Budgeting	Informants emphasized that evaluating green projects involves simultaneous consideration of financial, environmental, and reputational factors. Decisions are not solely based on ROI but also on long-term corporate benefits.	“We don’t just look at the financial returns; we assess how the project reduces emissions and strengthens our corporate image.”
2.	Structural Challenges in Accessing Green Financing	Companies face obstacles such as complex documentation, strict ESG standards, and limited green financial institutions. However,	“The process is lengthy and requires many documents, but the interest rate is much lower than conventional loans.”

		they recognize green financing offers lower capital costs.
3.	Green Investment as a Strategy for Reputation and Risk Mitigation	Green investment is perceived not merely as a moral obligation but as a strategy for long-term business stability through reduced regulatory risk and enhanced investor trust. “Investors trust us more when they see we invest in green initiatives.”
4.	Cultural Shift Toward Sustainability in Financial Decision-Making	Informants described a significant internal shift from profit-oriented decision-making to a more holistic sustainability-driven financial culture. “We used to talk only about profit; now every decision must consider the environmental impact.”
5.	Link Between Sustainable Financial Practices and Perceived Firm Value	Informants believe sustainable practices elevate firm value through improved reputation, lower risk, stronger investor confidence, and greater market preference. “Our firm value rises because the public sees our genuine commitment to sustainability, not just financial numbers.”

**Table 6. Themes, Subthemes, and Informant Quotes**

No.	Main Theme	Subtheme	Brief Description	Example Informant Quote
1.	Multi-Dimensional Considerations in Capital Budgeting	Financial & environmental	& Investment decisions include ROI, emission reduction, and long-term sustainability outcomes.	“We no longer evaluate projects only by break-even point, but by how they reduce emissions and protect our corporate reputation.”
		Regulatory compliance	Managers assess risks related to penalties, PROPER standards, and	“If a project can’t meet PROPER standards, the regulatory risk is

					energy regulations.	far more serious than the potential return.”
2.	Structural Challenges in Accessing Green Financing	Strict requirements	ESG	Lengthy documentation, stringent standards, and complex verification procedures.		“Banks’ ESG checks are very detailed—carbon, governance, everything must be clearly documented.”
		Capital incentives	cost	Despite challenges, green financing remains attractive due to lower interest rates.		“The process is tough, but the loan interest rate is much lower, making our projects more feasible.”
3.	Green Investment as Risk Mitigation & Reputation Strategy	Regulatory reduction	risk	Green investment is seen as protection from sanctions and changing environmental policies.		“Green investment works like a shield—it protects us from regulatory changes in the energy sector.”
		Reputation enhancement		Investors consistently undertake green investments.	trust that	“Global investors choose us because we consistently commit to green investments.”
4.	Cultural Shift Toward Sustainability	Financial transformation	mindset	Profit-oriented logic shifts toward environmental impact oriented evaluation		“Financial decisions now must consider environmental consequences that’s the new culture here.”
		Cross-departmental integration		Sustainability involves finance, operations, and sourcing not only the environmental division.		“Everyone is involved; it’s no longer just HSE talking about emissions our finance team is now fully engaged.”

5.	Perceived Impact on Firm Value	Higher reputation & investor trust	Firm value increases through transparency and visible sustainability initiatives.	“Our firm value rises because the public sees just financial statements.”
		Long-term risk reduction	SFMP is viewed as reducing both financial and non-financial risks	“The risks are smaller because green projects stabilize our business in the long run.”

The findings in the table indicate that informants perceive green capital budgeting as a multi-dimensional decision-making process that includes financial, environmental, reputational, and regulatory considerations. They emphasized that investment choices are no longer driven solely by profit but must align with sustainability requirements and national environmental standards such as PROPER or clean energy regulations. This reflects a strategic paradigm shift, where green projects are valued for long-term benefits, including regulatory risk mitigation and enhanced corporate credibility. Informants consistently recognized environmental impact assessments as integral to investment feasibility. The second theme highlights the structural challenges in accessing green financing. Despite encountering strict ESG requirements, extensive documentation, and complex risk evaluations from financial institutions, informants view green financing as a worthwhile pursuit. They noted that lower interest rates and more favorable capital costs make green financing an attractive option. Importantly, informants described the approval of green financing as an “external validation” of the company’s sustainability governance, strengthening market and stakeholder confidence. Thus, administrative difficulties are perceived not as obstacles, but as mechanisms ensuring that financed projects truly align with sustainability objectives. Green investment is interpreted by informants as both a reputational strategy and a form of long-term risk mitigation. Investments in low-carbon technologies provide protection against regulatory shifts, environmental penalties, and volatile energy markets. Informants also emphasized that green investments serve as strong signals to global investors, indicating the company’s strong commitment to sustainability.

**Table 7. Meaning Units, Categories, Themes**

Meaning Units (Significant Statements)	Initial Categories	Final Themes
“We always calculate environmental impact alongside financial metrics before approving any green project.”	Integration of environmental and financial evaluation	Multi-dimensional considerations in green capital budgeting
“If a project has high ROI but cannot meet emission standards or PROPER requirements, it will not be approved.”	Regulatory driven investment decisions	Multi-dimensional considerations in green capital budgeting
“Green financing requires a long	Strict ESG documentation and	Structural challenges in accessing

list of documents banks want everything clear, from carbon data to governance practices.”	verification	green financing
“Even though the process is complex, the interest rates for green loans are significantly lower.”	Financial incentives from green financing	Structural challenges in accessing green financing
“Green investment protects us from unexpected policy changes in the energy sector.”	Risk mitigation through sustainable investment	Green investment as risk mitigation & reputation strategy
“Investors trust companies that show real sustainability efforts, not just reporting.”	Investor trust and reputation building	Green investment as risk mitigation & reputation strategy
“Our financial decisions must now include environmental considerations—that’s the company’s new mindset.”	Cultural shift in financial logic	Cultural shift toward sustainability
“Sustainability is now a cross-department responsibility; it’s not only HSE’s job anymore.”	Organizational collaboration	Cultural shift toward sustainability
“Our firm’s value increases because the market sees genuine commitment to sustainability.”	Market perception of sustainability	Perceived impact on firm value
“Green projects reduce long-term risks and make the company more stable.”	Risk reduction and business stability	Perceived impact on firm value

The table of meaning units demonstrates how informants experience sustainable financial practices through a series of interconnected interpretations. Each significant statement reveals deeper insights into how managers and sustainability officers perceive their roles in ensuring that financial decisions align with environmental commitments. These meaning units reflect the centrality of sustainability considerations in shaping capital budgeting, financing decisions, and investment priorities. They serve as the raw empirical evidence that underpins the formation of broader thematic categories.

The categorization process shows that informants do not view financial decisions as isolated economic actions; instead, decisions are filtered through environmental, regulatory, and reputational considerations. Statements referring to the evaluation of emission reductions or adherence to PROPER standards illustrate that sustainability acts as a non-negotiable requirement in the decision-making process. These categories converge into the theme of *multi-dimensional considerations in green capital budgeting*,

which highlights how environmental and regulatory demands influence strategic investment choices. Meaning units related to the complexity of green financing reveal another significant pattern: the dual nature of challenges and incentives. Informants consistently mentioned extensive ESG documentation and high verification standards imposed by banks. Yet, they linked these challenges to financial benefits such as lower interest rates and increased feasibility of green projects. This duality forms the theme *structural challenges in accessing green financing*, showing that sustainability-oriented financing simultaneously demands rigor and offers strategic advantages for firms.

**Table. 8 Source Triangulation**

Theme	Interview Evidence	Document Evidence	Observation Evidence	Triangulation Conclusion
Green Capital Budgeting	Informants stated that green projects must meet both financial and environmental criteria (ROI + emission reduction).	Sustainability reports show project evaluation matrices including emission impact, energy efficiency, and compliance indicators.	Observations of project sites show real implementation of energy-efficient technologies and waste reduction systems.	Strong convergence: all sources confirm multi-dimensional project evaluation.
Green Financing Challenges	Informants described complex ESG requirements and lengthy approval processes for green loans.	Bank ESG and internal financing documents show detailed requirements for carbon data, governance indicators, and impact measurement.	Observation of digital application portals reveals multi-step verification processes for loan applications.	High alignment: interviews and documents confirm procedural complexity.
Green Investment as Risk Mitigation	Informants emphasized that green investment protects firms from regulatory volatility and improves investor trust.	Annual reports highlight green investments as part of risk management and compliance strategies.	Observation of investor briefings shows emphasis on sustainability metrics during public presentations.	Consistent evidence: sustainability investment is positioned as both risk management and market strategy.
Cultural Shift Toward Sustainability	Informants described changes in mindset and cross-department	Internal policy documents show integration of sustainability	Observation of meetings reveals sustainability being discussed in	Strong convergence: cultural transformation

	collaboration in financial decision-making.	criteria in budgeting and procurement processes.	into and operations, procurement forums.	finance, and procurement forums.	appears and organization-wide.
Perceived Impact on Firm Value	Informants reported increased investor trust and improved market perception due to sustainability actions.	Market performance records improved scores, investor engagement, better disclosure ratings.	Observation of public communications (website, CSR events) reflects strong sustainability positioning.	Clear alignment: sustainability practices positively shape firm value perception.	

The triangulation table shows strong consistency across interviews, documents, and observations regarding how sustainable financial practices are implemented and interpreted within environmentally responsible companies. Each source reinforces the credibility of the findings and enhances the robustness of the research conclusions. The convergence of evidence across multiple sources demonstrates that the themes emerging from the interviews are not merely subjective perceptions but are reflected in formal documents and real organizational behavior. This reinforces the validity of the phenomenological interpretations derived from participant experiences. For green capital budgeting, triangulation reveals a clear alignment between what managers reported in interviews and what is documented in sustainability and project evaluation reports. Informants described multi-dimensional evaluation processes, and these are confirmed through organizational documents that present detailed environmental and financial feasibility metrics. Observational evidence further supports this, as site visits reveal technologies and procedures consistent with environmental objectives. This triangulation strengthens the interpretation that capital budgeting in these firms has genuinely integrated sustainability as a core parameter.

## DISCUSSION

### The Strategic Integration of Sustainability in Financial Decision-Making

Sustainability integration within financial decision-making has emerged as a strategic necessity for environmentally responsible companies, as evidenced by the experiential data obtained from participants. Informants consistently described how financial evaluations are no longer limited to traditional profitability metrics but now incorporate environmental efficiency, regulatory compliance, and long-term ecological impacts. This transition aligns with global findings that financial decisions integrating sustainability tend to strengthen corporate resilience and long-term stability (Daugaard, 2020). The shift from purely financial analysis to a blended environmental–financial lens also reflects the global rise of sustainable finance frameworks, where firms are expected to internalize environmental externalities into their investment and budgeting analyses. As sustainability becomes embedded in financial governance, companies position themselves more competitively in markets that increasingly value environmental responsibility. The experiences shared by informants show that green capital budgeting has become a multi-layered evaluation process influenced by both internal corporate priorities and external regulatory pressures. This pattern aligns with recent research demonstrating that the

inclusion of environmental performance indicators in capital budgeting enhances transparency, reduces regulatory exposure, and drives cost efficiency through long-term resource optimization (Lozano & Huisingh, 2019). Informants noted that projects failing to meet emission or PROPER standards are automatically excluded, illustrating that regulatory compliance acts as a strategic filter in the budgeting process. Such practice demonstrates that sustainability has shifted from an optional organizational agenda to a strict operational requirement, thereby ensuring that financial decisions contribute to broader environmental goals. Furthermore, sustainability integration strengthens risk management capabilities by providing anticipatory protection against regulatory and environmental uncertainties. Informants described sustainability-driven investment decisions as mechanisms that safeguard their firms from fluctuations in energy regulations, carbon pricing mechanisms, and potential environmental penalties. This observation is consistent with global evidence suggesting that firms with strong sustainability orientation face lower long-term risk exposure and enjoy enhanced regulatory predictability (Ferriani & Natoli, 2021). The ability of sustainability-based financial decisions to lower long-term volatility positions these companies favorably among stakeholders seeking stable and future-oriented firms. Thus, the incorporation of sustainability in financial decision-making serves as a dual strategy for both risk management and competitive differentiation.

In addition to risk mitigation, integrating sustainability into financial decisions enhances corporate legitimacy through transparent environmental governance. Informants indicated that stakeholders particularly investors perceive green financial decisions as credible indicators of responsible governance. This finding aligns with studies showing that investors increasingly rely on sustainability-aligned financial decisions as signals of organizational integrity and long-term value creation (Miralles-Quirós et al., 2019). When companies demonstrate consistent sustainability commitments through their budgeting and investment strategies, they build stronger reputational capital, enabling improved investor relations and greater access to sustainable financial markets. The alignment between internal decisions and external expectations reinforces the firm's legitimacy within the ESG-driven global economy. The integration of sustainability into financial strategies also fosters strategic innovation, as companies are encouraged to explore environmentally efficient technologies and low-carbon operational models. Informants described how sustainability-based assessments push firms to invest in renewable energy facilities, waste management technologies, and energy-efficient production methods. This observation is supported by contemporary research indicating that sustainability-oriented financial decisions promote technological innovation, operational efficiency, and green transformation across industries (Awan et al., 2023).

### **Green Financing as an Enabler of Sustainable Corporate Transformation**

The findings indicate that green financing plays a pivotal role in enabling sustainable transformation within environmentally responsible firms, even though organizations frequently face procedural and structural challenges in securing such funding. Informants emphasized that banks and financial institutions impose stringent ESG requirements, detailed carbon-related documentation, and multi-stage assessments, which can lengthen the loan approval timeline. These experiences reflect global patterns, where financial institutions increasingly incorporate sustainability indicators to reduce financing risks and ensure alignment with climate commitments (Banga, 2019). Despite these challenges, companies recognize that green financing acts as a vital mechanism not only for accessing capital but also for validating the credibility of their sustainability practices in the eyes of stakeholders, thus strengthening overall governance structures. The complexity of ESG-driven financing procedures demonstrates how financial institutions function as gatekeepers in promoting sustainability. Informants described this system of checks as rigorous but necessary, signaling that sustainability is not merely a corporate slogan but must be supported by measurable performance outcomes. This observation is consistent with research suggesting that strict sustainability requirements in financing increase transparency, reduce information asymmetry, and promote responsible investment practices (Zerbib, 2020). The rigorous screening

processes also help financial institutions minimize greenwashing, ensuring that financed projects genuinely contribute to environmental objectives. Thus, green financing frameworks shape corporate behavior by embedding sustainability expectations into financial eligibility criteria.

At the same time, green financing provides a substantial incentive for firms to shift toward environmentally responsible investments. Informants repeatedly highlighted lower interest rates, favorable credit terms, and long-term lending stability as key benefits that make green financing attractive despite administrative challenges. This is in line with empirical evidence showing that sustainable financing instruments—such as green loans and green bonds—offer competitive pricing advantages as a reward for improved environmental performance (Flammer, 2021). These incentives can significantly improve project feasibility, accelerate sustainability initiatives, and drive long-term operational savings through resource efficiency. Furthermore, access to green financing imposes internal discipline that encourages firms to strengthen their sustainability governance systems. To meet green financing requirements, companies must implement more accurate carbon accounting, improve environmental monitoring systems, create standardized reporting formats, and adopt stronger internal controls. Informants noted that preparing for ESG audits often triggers improvements in cross-department coordination and the overall transparency of environmental performance data. This is supported by research identifying sustainable finance as a catalyst for enhancing corporate governance and fostering organizational learning in environmental management (Auestad & Sørensen, 2023). As a result, the financial requirements associated with green loans accelerate internal capacity building and drive continuous improvements in environmental performance. Overall, the findings demonstrate that green financing functions as a strategic enabler of sustainable transformation, rather than simply a funding mechanism. While companies face procedural challenges in securing green loans, the benefits in terms of reduced capital costs, enhanced legitimacy, stronger governance, and increased investor trust outweigh these difficulties. This pattern underscores the broader global trend where financial instruments are increasingly used to steer corporate behavior toward sustainability goals. By incentivizing environmental responsibility and penalizing inaction, green financing creates a structural pathway that aligns corporate financial decisions with long-term sustainability outcomes, reinforcing firm value and competitive resilience.

### **The Perceived Impact of Sustainable Financial Management on Firm Value**

Informants consistently emphasized that sustainable financial management practices (SFMP) significantly shape how firm value is perceived by investors, regulators, and the broader market. They noted that firm value is increasingly understood not only in terms of financial returns but also in relation to intangible assets, such as environmental reputation, corporate legitimacy, and stakeholder trust. This perspective aligns with contemporary studies demonstrating that ESG-driven financial practices enhance firm valuation by signaling long-term resilience and responsible management (Atan et al., 2018). In the context of Indonesia, where sustainability regulations and public expectations are rising, companies that implement robust sustainable financial systems tend to differentiate themselves as market leaders. This finding highlights a shift where value creation is tied to sustainability performance as much as to financial profitability. The narratives provided by informants suggest that sustainability enhances firm value through its impact on investor confidence. Participants observed that investors particularly institutional and foreign investors are more likely to support firms with strong sustainability credentials because these companies exhibit lower exposure to environmental, regulatory, and reputational risks. This mirrors empirical evidence showing that firms with superior sustainability ratings attract greater investor attention and experience lower volatility in capital markets (Broadstock et al., 2021). Informants indicated that consistent implementation of SFMP acts as a signaling mechanism, reducing information asymmetry and inviting long-term investors who prioritize stability over short-term gains. As a result,

sustainable financial practices become a determining factor in shaping capital market perception and firm valuation.

A recurring theme across informants' accounts was the role of reputational capital in enhancing firm value. They described sustainability as not merely an operational practice but a reputational asset that influences external stakeholder perceptions. Firms that demonstrate genuine sustainability commitments gain positive media coverage, higher ESG ratings, and stronger brand loyalty, all of which contribute directly to perceived firm value. This observation is supported by research showing that positive ESG reputation improves brand equity and gives firms a competitive edge in attracting customers and investors (Velte, 2020). Informants highlighted that sustainability credentials often serve as differentiators in industries with high competition, enabling firms to position themselves as trustworthy and future-oriented. Sustainable financial practices also contribute to firm value by reducing operational and regulatory risks, which investors and analysts increasingly consider when assessing long-term viability. Informants noted that green capital budgeting, cleaner operations, and environmentally focused investments help companies avoid compliance penalties, reduce exposure to carbon pricing, and remain competitive amid evolving environmental regulations. This interpretation reflects broader findings that companies with strong environmental strategies face fewer long-term liabilities and achieve more stable financial performance (García et al., 2021). Reduced risk exposure translates into higher valuation multiples, as markets reward firms that demonstrate resilience in the face of environmental uncertainty.

Moreover, informants observed that SFMP fosters operational efficiency and innovation, which in turn impacts firm value. Initiatives such as energy-efficient technologies, green supply chains, and low-waste production systems lead to cost savings and improved productivity. This interpretation aligns with evidence showing that sustainability-driven innovation enhances financial performance and delivers measurable long-term value for firms (Xie et al., 2019). Informants noted that these efficiency gains often become visible in annual reports, influencing market analysts to adjust valuation expectations. Thus, sustainability becomes intertwined with operational excellence and long-term profitability, both of which shape firm valuation. Overall, the findings demonstrate that sustainable financial management practices elevate firm value through multiple pathways: enhanced reputation, reduced risks, increased investor trust, operational efficiencies, and alignment with global sustainability standards. Informants consistently viewed SFMP as a strategic driver of long-term corporate performance rather than a compliance burden. This interpretation aligns with the global shift in valuation logic, where intangible sustainability-related assets increasingly determine competitive advantage and organizational resilience (Ammann et al., 2020). In Indonesia's evolving ESG landscape, firms that embed sustainability into financial decision-making are likely to achieve superior market positioning and long-term value creation.

## CONCLUSION

This study concludes that sustainable financial management practices (SFMP) have become a fundamental driver of strategic decision-making in environmentally responsible companies in Indonesia. Through a phenomenological exploration of managers' lived experiences, it is evident that sustainability considerations are now deeply embedded in financial assessments, especially in green capital budgeting. Rather than relying solely on traditional profitability metrics, firms incorporate environmental impact, regulatory compliance, and long-term ecological outcomes into their investment evaluations. This shift reflects a broader transformation in corporate thinking, where financial decisions increasingly align with national and global sustainability commitments. The findings also reveal that green financing serves as both a challenge and an enabler for corporate sustainability initiatives. Informants consistently described the procedural complexity of green financing, driven by stringent ESG requirements and rigorous documentation processes. However, these challenges are offset by significant benefits, including lower capital costs, enhanced investor confidence, and greater access to sustainable financial markets. Green financing operates not only as a funding mechanism but also as an instrument of external validation,

signaling that a firm's sustainability claims are credible and measurable. Thus, the role of financial institutions is central in steering firms toward more sustainable operational and strategic directions. Another important conclusion is that green investment is widely perceived as a strategic approach to risk mitigation and reputation enhancement. Informants emphasized that green investment protects firms from regulatory volatility, environmental penalties, and market instability. At the same time, such investments enhance corporate legitimacy and attract investors who prioritize ESG performance. The dual function of green investment underscores its importance as a long-term value creation mechanism that contributes to competitive advantage and strengthens the firm's positioning in sustainability-oriented markets. The study further concludes that sustainable financial management practices contribute to a significant cultural shift within organizations. This shift is characterized by the integration of sustainability across departments, changes in managerial mindset, and increased collaboration between financial, operational, and environmental units. Sustainability is no longer perceived as the responsibility of a single department but has become an organizational philosophy that influences all financial decisions. Such cultural transformation improves transparency, accountability, and the overall quality of corporate governance, reinforcing the sustainability agenda at all levels of the firm.

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