International Journal of Business, Law, and Education
E-ISSN : 2747-1349
Publisher: IJBLE Scientific Publications Community Inc.
Volume 5, Number 2, 2024
https://ijble.com/index.php/journal/index

Green Finance Revolution: Investigating the Role of Sustainable Investments in Driving Corporate Profitability in Indonesia

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ABSTRACT
This study investigates the role of sustainable investments in driving corporate profitability in Indonesia, with a particular focus on the mediating role of ESG (Environmental, Social, and Governance) performance and the moderating effect of regulatory frameworks. Using data from 210 companies across various sectors, the study employs structural equation modeling (SEM) to test the proposed relationships. The results show that sustainable investments significantly enhance corporate profitability, with ESG performance acting as a key mediator in this relationship. Additionally, regulatory frameworks are found to moderate the impact of sustainable investments on profitability, amplifying the positive effects when regulatory support is strong. These findings underscore the importance of integrating sustainability into business strategies and highlight the crucial role of supportive policies in fostering green investments. The study contributes to the growing literature on green finance by providing empirical evidence on the financial benefits of sustainability in emerging markets like Indonesia.

Keywords:
Sustainable Investment, Corporate Profitability, ESG Performance, Green Finance, Regulatory Frameworks

INTRODUCTION

In recent years, global concerns about climate change, environmental degradation, and sustainable development have intensified, prompting organizations to reconsider their financial strategies and investment decisions. Indonesia, as one of the world's largest emerging economies, has been increasingly active in adopting sustainable financial practices to combat these challenges. The Indonesian government, along with local and international financial institutions, has recognized the importance of aligning economic growth with environmental and social responsibility, catalyzing a "Green Finance Revolution" aimed at driving investments in sustainable sectors such as renewable energy, sustainable agriculture, and climate-resilient infrastructure. This shift in focus is driven by the growing recognition that companies that incorporate sustainability into their core business strategies can enhance their resilience, reduce financial risks, and ultimately achieve greater profitability in the long term (Tanaka & Tanaka, 2022).

The role of sustainable investments in corporate financial performance has become a topic of increasing interest among researchers, policymakers, and business leaders. Sustainable finance, often referred to as "green finance," encompasses a range of financial instruments, including green bonds, socially responsible investing (SRI), and environmental, social, and governance (ESG) investing. These investments aim to mobilize capital towards projects that contribute positively to climate change mitigation, resource efficiency, and social well-being (OECD, 2020). By integrating ESG principles into financial decision-making, companies can access new sources of funding, reduce their exposure to environmental and social risks, and enhance their overall corporate value (Coelho et al., 2023).

However, there is still limited empirical evidence on how sustainable investments impact corporate profitability in Indonesia. While international studies

have explored this relationship, local contexts may exhibit unique dynamics influenced by local regulations, market conditions, and business practices. Indonesia's green finance landscape is shaped by a complex regulatory environment, including incentives, subsidies, and tax breaks for sustainable investments, but there is a need to understand how these policies affect corporate financial performance (Azhgaliyeva et al., 2020; Utomo et al., 2020). This research aims to bridge this gap by focusing on Indonesian companies' experiences with sustainable investments and their impact on corporate profitability.

The financial performance of companies adopting sustainable practices has become crucial for investors and stakeholders alike. With increasing awareness of climate change and resource depletion, businesses are under pressure to demonstrate their commitment to sustainability. Investors are keen to understand how incorporating sustainability into their investment portfolios can enhance returns while contributing to global environmental goals (Rusmayadi et al., 2023). This pressure from stakeholders, along with evolving regulations, has made sustainable investment a strategic priority for many Indonesian companies.

Moreover, as Indonesia continues to face significant environmental challenges, including deforestation, air pollution, and water scarcity, the demand for sustainable business practices has never been greater. Companies that effectively manage environmental, social, and governance (ESG) factors are seen as more resilient and adaptable to changes in consumer preferences, regulatory requirements, and investor expectations (World Bank, 2023). As such, sustainable investments have the potential to play a key role in Indonesia's economic transition towards a more sustainable, inclusive, and resilient development model.

Despite growing awareness of climate change and sustainability among Indonesian companies, the relationship between sustainable investments and corporate profitability remains unclear. There is limited empirical evidence on how these investments impact financial performance, and much of the existing research focuses on international contexts with different regulatory frameworks, business practices, and market conditions (Ikevuje et al., 2024). This lack of localized data makes it difficult for policymakers, businesses, and investors to understand the potential financial returns of sustainable investments in Indonesia. Consequently, there is an urgent need to examine how sustainable investments contribute to corporate profitability in the local context, enabling businesses to adapt their strategies to meet regulatory requirements and stakeholder expectations.

The objective of this research is to investigate the role of sustainable investments in driving corporate profitability in Indonesia. By focusing on local companies' experiences, the research aims to provide empirical evidence on the financial impact of sustainable investments, helping businesses, investors, and policymakers better understand the relationship between sustainability and financial performance. This study will contribute to refining regulatory frameworks, investment strategies, and corporate practices that can maximize the financial returns of sustainable investments in Indonesia. Through this research, it is hoped that local businesses can be empowered to embrace sustainability as a core business strategy, aligning profitability with global environmental and social goals.

Literature Review and Hypothesis Development

1. The Concept of Green Finance and its Role in Emerging Markets

Green finance, encompassing investment strategies aligned with environmental sustainability, has gained prominence as a critical lever for sustainable economic development. Defined broadly, green finance involves the allocation of capital to environmentally beneficial projects, including renewable energy, waste management, and climate-resilient infrastructure (Ummah, 2019). It aligns with global sustainability agendas, including the United Nations' Sustainable Development Goals (SDGs) and the Paris Agreement, which emphasize reducing greenhouse gas emissions and fostering inclusive economic growth (UNEP, 2019). In emerging markets, where economic growth often depends heavily on natural resources, green finance serves as a critical tool for balancing economic expansion with environmental stewardship (IFC, 2019).

Despite its potential, the adoption of green finance in emerging markets faces systemic challenges, including regulatory volatility, limited financial instruments, and underdeveloped market infrastructure. Research highlights the need for strong institutional frameworks and policy incentives to attract green investments (Tanaka & Tanaka, 2022). For instance, governments in countries like India and Brazil have introduced green bonds and tax incentives to stimulate investments in sustainable sectors, but these measures remain limited in scale and impact compared to developed economies (Azhgaliyeva et al., 2020; Ding, 2024).

2. Green Finance and Corporate Profitability

The relationship between green finance and corporate profitability has been extensively studied in developed economies, but its implications for emerging markets remain underexplored. Scholars argue that green finance enhances profitability by fostering innovation, improving resource efficiency, and reducing operational costs (Kumar et al., 2024). Additionally, companies adopting sustainable practices often experience improved brand loyalty, reduced regulatory risks, and enhanced access to capital from ESG-conscious investors (Krastev & Krasteva-Hristova, 2024). A meta-analysis by Almulhim & Aljughaiman (2023) concluded that 90% of studies observed a positive correlation between ESG performance and financial returns, suggesting that sustainability is no longer a cost center but a value driver.

However, critics highlight the upfront costs and operational challenges associated with green investments. In emerging markets, where capital constraints are more pronounced, these costs may deter businesses from pursuing sustainability initiatives (Aslam et al., 2024). Moreover, the absence of standardized metrics for measuring ESG performance complicates the assessment of green finance's impact on profitability, particularly in economies with fragmented financial systems (Krastev & Krasteva-Hristova, 2024).

3. Emerging Market Dynamics and Green Finance Adoption

Emerging markets present unique opportunities and challenges for green finance adoption. On the one hand, these economies have immense potential for renewable energy projects, sustainable agriculture, and low-carbon urban infrastructure (IFC, 2019). On the other hand, structural barriers, such as weak governance, inconsistent policy frameworks, and limited financial literacy, hinder the scalability of green investments (Ding, 2024). Studies suggest that public-private partnerships (PPPs) and international cooperation can bridge these gaps, enabling

emerging markets to attract sustainable investments while fostering local economic development (World Bank, 2021).

4. Hypothesis Development

Based on the literature review, it is evident that the relationship between sustainable investments and corporate profitability is multifaceted and influenced by various factors, including regulatory frameworks, market conditions, and the integration of ESG principles into business strategies. In the case of Indonesia, while there is growing interest in green finance, empirical evidence on its impact on corporate profitability remains limited. Therefore, this study aims to develop hypotheses that will guide the exploration of how sustainable investments influence corporate profitability in Indonesia**.**

a. Hypothesis 1: Sustainable investments positively affect corporate profitability in Indonesia.

This hypothesis builds on the literature that suggests sustainable investments contribute to long-term profitability by enhancing risk management, reducing costs, and improving corporate reputation (Azhgaliyeva et al., 2020). It posits that Indonesian companies investing in sustainability-related projects, such as renewable energy or sustainable agriculture, will experience improved financial performance over time.

b. Hypothesis 2: ESG performance mediates the relationship between sustainable investments and corporate profitability in Indonesia.

This hypothesis is based on the premise that ESG factors play a crucial role in determining the success of sustainable investments (Almulhim & Aljughaiman, 2023). It suggests that companies with strong ESG performance are better positioned to achieve higher profitability from their green investments due to improved access to capital, better stakeholder relationships, and enhanced operational efficiencies.

c. Hypothesis 3: Regulatory frameworks moderate the relationship between sustainable investments and corporate profitability in Indonesia.

Given the importance of government policies in shaping the green finance landscape, this hypothesis posits that the regulatory environment in Indonesia may influence the degree to which sustainable investments contribute to profitability. Specifically, the hypothesis suggests that companies operating in a supportive regulatory environment will experience a stronger positive impact from their sustainable investments.

METHOD

1. Research Design

This study employs a survey-based research design to examine the relationship between sustainable investments and corporate profitability in Indonesia, with a focus on the mediating role of environmental, social, and governance (ESG) performance and the moderating effect of regulatory frameworks. A survey method is suitable for this study as it allows for the collection of primary data from a large number of companies operating in Indonesia, providing insights into their experiences with green finance and sustainability practices. The survey will collect both qualitative and quantitative data, enabling a comprehensive analysis of the factors influencing the financial impact of sustainable investments. The research will utilize Structural Equation Modeling (SEM) to analyze the data. SEM is a powerful statistical technique that allows researchers to examine complex relationships between multiple variables

simultaneously, making it ideal for testing the hypotheses and exploring the direct, indirect, and moderating effects among the variables in this study (Hair Jr et al., 2021).

2. Population and Sample

The population for this study consists of companies operating in Indonesia across various sectors, including renewable energy, manufacturing, agriculture, and infrastructure, all of which have the potential to engage in sustainable investments. These sectors have been identified as key areas where green finance initiatives are most prevalent and impactful. The sample will be drawn from publicly listed companies and large private enterprises, as they are more likely to have the resources and capacity to adopt sustainable investment practices.

To ensure the representativeness of the sample, a stratified random sampling technique will be used. The companies will be categorized based on industry type, and a random sample will be selected from each category to ensure diversity in the data. The final sample size will aim for a minimum of 200 respondents, which is deemed sufficient for conducting SEM analysis, as recommended by Sarstedt, Ringle, & Hair (2021). The survey will be administered to senior executives or managers involved in financial decision-making, particularly those overseeing investments and sustainability strategies.

3. Data Colletion

Data for this study will be collected through a structured questionnaire designed to capture information on three key areas: (1) sustainable investments, (2) corporate profitability, and (3) ESG performance. The questionnaire will include both closed-ended questions, which will provide quantitative data for analysis, and open-ended questions to gain deeper insights into the qualitative aspects of the companies' sustainable investment practices.

a. Sustainable Investments
   This section of the questionnaire will measure the extent to which companies have made investments in sustainable projects such as renewable energy, green technologies, sustainable agriculture, and climate change mitigation. Respondents will be asked to rate the degree of investment in these areas using a Likert scale, ranging from "no investment" to "substantial investment."
b. Corporate Profitability
   This section will assess corporate profitability by asking companies to provide financial indicators such as return on investment (ROI), return on assets (ROA), and overall profitability in the past three years. In addition to these quantitative indicators, the survey will also include questions about the perceived financial impact of sustainable investments on company profitability.
c. ESG Performance
   The questionnaire will also include a series of questions designed to assess companies' ESG performance. This will include measures of environmental management, social responsibility initiatives, and governance practices. Respondents will be asked to rate their company's performance on ESG criteria, using a Likert scale from "very poor" to "excellent."
d. Regulatory Frameworks
   Finally, the questionnaire will explore how regulatory frameworks influence corporate strategies in relation to sustainable investments. This will include

questions about the perceived effectiveness of government policies, incentives for green finance, and challenges faced due to regulatory requirements

The survey will be distributed electronically to the selected companies through email and professional networks. An introductory letter will explain the purpose of the study, assure confidentiality, and invite participants to complete the survey. To maximize response rates, follow-up emails and reminders will be sent to participants.

4. Data Analysis

Once the data is collected, it will be analyzed using Structural Equation Modeling (SEM), a statistical technique that allows for testing complex relationships between observed and latent variables. SEM is appropriate for this study as it enables the evaluation of multiple relationships simultaneously, including direct and indirect effects, mediating and moderating variables, and measurement error (Sarstedt et al., 2021). The SEM analysis will be conducted in two stages.

The first stage involves assessing the measurement model, which examines the reliability and validity of the constructs used in the survey. Confirmatory factor analysis (CFA) will be used to evaluate how well the observed variables (e.g., questions in the survey) represent the underlying constructs (e.g., sustainable investments, corporate profitability, ESG performance). Key indices such as the Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), and Root Mean Square Error of Approximation (RMSEA) will be used to assess the goodness-of-fit of the measurement model. Cronbach's alpha and composite reliability will also be used to evaluate the internal consistency of the constructs.

In the second stage, the structural model will be tested to assess the relationships between the variables. The model will test the hypothesized relationships between sustainable investments and corporate profitability, as well as the mediating effect of ESG performance and the moderating effect of regulatory frameworks. SEM allows for testing direct effects (e.g., the relationship between sustainable investments and profitability), indirect effects (e.g., the effect of sustainable investments on profitability through ESG performance), and moderating effects (e.g., the influence of regulatory frameworks on the relationship between sustainable investments and profitability). The goodness-of-fit indices used in the measurement model will also be applied to assess the fit of the structural model.

RESULTS AND DISCUSSION

1. Descriptive Statistics

The descriptive statistics for the key variables in this study, including sustainable investments, corporate profitability, ESG performance, and regulatory frameworks, are presented below. The data were collected from 210 companies operating in various sectors across Indonesia. Table 1 provides a summary of the mean, standard deviation, and range of the variables included in the study.

Table 1. Descriptive Statistics of Key Variables

Variable	Mean	Std Deviation	Minimum	Maximum
Sustainable Investments	3,450	1,103	1	5
Corporate Profitability	3,619	1,020	2	5
ESG Performance	3,783	0,949	2	5
Regulatory Frameworks	3,548	1,118	1	5

Source: Data Processed by Author, 2024

The results show that companies in the sample generally reported moderate to high levels of engagement with sustainable investments (mean = 3.450) and corporate profitability (mean = 3.619). ESG performance, with a mean of 3.783, indicates that companies are actively integrating environmental, social, and governance factors into their business strategies. Regulatory frameworks scored a mean of 3.548, suggesting that while there is recognition of regulatory support for sustainability, there is room for improvement in the enforcement and clarity of these regulations.

2. Measurement Model

The measurement model was assessed using Confirmatory Factor Analysis (CFA). The results indicate that the measurement model demonstrates adequate fit to the data, with the following fit indices:.

Table 2. *Mesurement Model Results*

Indicators	
Chi-Square/df	2,380
CFI (Comparative Fit Index)	0,920
TLI (Tucker-Lewis Index)	0,910
RMSEA (Root Mean Square Error of Approximation)	0,060

Source: Data Processed by Author, 2024

These fit indices suggest that the measurement model provides a good fit to the data, supporting the validity of the constructs used in the study.

Table 3: *Standardized Factor Loadings for the Measurement Model*

Construct	Item	Standard Loading
Sustainable Investments	1. Investment in renewable energy	0,820
	2. Investment in green technology	0,780
	3. Investment in sustainable agriculture	0,750
Corporate Profitability	1. ROI (Return on Investment)	0,840
	2. ROA (Return on Assets)	0,790
	3. Perceived profitability from sustainable investments	0,810
ESG Performance	1. Environmental management practices	0,880
	2. Social responsibility initiatives	0,860
	3. Governance practices	0,850
Regulatory Frameworks	1. Perceived effectiveness of government policies	0,830
	2. Supportive regulatory environment	0,800

Source: Data Processed by Author, 2024

The standardized factor loadings for all items exceed the recommended threshold of 0.700 (Hair Jr et al., 2021), indicating that the items are reliable measures of their respective constructs.

3. Structural Model

Next, we tested the hypothesized structural model to examine the relationships between sustainable investments, corporate profitability, ESG performance, and regulatory frameworks. The structural model fit indices indicate a good fit:

Table 4. *Structural Model Results*

Indicators	
Chi-Square/df	2,500
CFI (Comparative Fit Index)	0,910
TLI (Tucker-Lewis Index)	0,900
RMSEA (Root Mean Square Error of Approximation)	0,070

Source: Data Processed by Author, 2024

Table 5. *Path Coefficients for Structural Model*

Path	Coefficients	Standard Error	t-value	p-value
Sustainable Investments → Corporate Profitability	0,450	0,080	5,625	0,001
Sustainable Investments → ESG Performance	0,520	0,070	7,429	0,001
ESG Performance → Corporate Profitability	0,300	0,060	5,000	0,001
Regulatory Frameworks → Sustainable Investments	0,400	0,090	4,444	0,001
Regulatory Frameworks × Sustainable Investments → Corporate Profitability	0,250	0,080	3,125	0,002

Source: Data Processed by Author, 2024

4. Hypothesis Testing

a. Hypothesis 1: Sustainable investments positively affect corporate profitability in Indonesia.

The path coefficient from sustainable investments to corporate profitability is 0.450 (t = 5.625, p < 0.001), supporting Hypothesis 1. This result indicates a significant positive relationship between sustainable investments and corporate profitability, suggesting that companies investing in sustainability-related projects experience higher profitability.

b. Hypothesis 2: ESG performance mediates the relationship between sustainable investments and corporate profitability in Indonesia.

The coefficient for the indirect effect of sustainable investments on corporate profitability through ESG performance is 0.520 * 0.300 = 0.156. The total effect of sustainable investments on corporate profitability (direct + indirect) is 0.450 + 0.156 = 0.606, which is significant (t = 5.000, p < 0.001). This supports Hypothesis 2, indicating that ESG performance plays a mediating role in the relationship between sustainable investments and profitability.

c. Hypothesis 3: Regulatory frameworks moderate the relationship between sustainable investments and corporate profitability in Indonesia.

The interaction term between regulatory frameworks and sustainable investments has a positive coefficient of 0.250 (t = 3.125, p = 0.002), supporting Hypothesis 3. This suggests that a favorable regulatory environment enhances the positive effect of sustainable investments on corporate profitability, indicating that companies operating in regions with supportive regulatory frameworks are more likely to benefit from sustainable investments.

Discussion

1. The Direct Effect of Sustainable Investments on Corporate Profitability

One of the key findings of this study is that sustainable investments have a positive and significant impact on corporate profitability (H1). The path coefficient of 0.450 (p < 0.001) supports the idea that companies engaging in sustainable investments are more likely to experience improved profitability. This result is consistent with previous studies that have shown a strong relationship between sustainability practices and financial performance. For instance, Intan, Indrasari, & Putri (2023) demonstrated that firms with high ESG scores tend to outperform their peers in terms of profitability and stock returns. Similarly, Gu, Pan, Hu, & Liu (2022) concept of the "Triple Bottom Line" suggests that businesses that focus on environmental, social, and governance factors not only contribute to sustainable development but also enhance long-term profitability by reducing risks and improving operational efficiencies.

The positive relationship between sustainable investments and profitability can be attributed to several factors. First, as companies invest in renewable energy, green technologies, and sustainable supply chains, they can reduce costs associated with energy consumption, waste management, and raw material procurement. These savings translate into higher margins and increased profitability. Second, companies with strong sustainability practices tend to attract environmentally conscious consumers, which boosts brand loyalty and market share. Lastly, sustainable investments often open up access to new markets and government incentives, further enhancing corporate revenue streams. This finding aligns with the growing body of research highlighting the financial benefits of sustainability (Cunha et al., 2021).

2. The Mediating Role of ESG Performance

Another important contribution of this study is the finding that ESG performance mediates the relationship between sustainable investments and corporate profitability (H2). The indirect effect of sustainable investments on profitability through ESG performance (0.156) suggests that the implementation of sustainability practices contributes not only to operational improvements but also to enhanced corporate reputation, stakeholder trust, and long-term value creation.

The results underscore the importance of integrating environmental, social, and governance factors into business strategies. ESG performance, as a mediating variable, reflects how companies manage their environmental impact, social responsibilities, and governance structures, which in turn affects their financial outcomes. Companies with high ESG performance are better able to mitigate risks associated with environmental damage, labor disputes, and regulatory penalties, which enhances their financial stability and profitability (Rosalia & Prihandini, 2024). Additionally, strong ESG performance can attract investors who prioritize ethical and socially responsible investments, further improving the financial standing of the company.

This finding is in line with the work of Chen, Song, & Gao (2023), who found that firms with strong ESG performance tend to outperform those with weak ESG performance in the long run. The mediating role of ESG performance suggests that merely investing in sustainable practices is not enough; firms must also demonstrate robust ESG performance to realize the full potential of their green investments. Therefore, firms should focus not only on making green investments but also on improving their ESG strategies to maximize profitability.

3. The Moderating Role of Regulatory Frameworks

The moderating effect of regulatory frameworks (H3) is another important finding of this study. The interaction term between regulatory frameworks and sustainable investments showed a positive and significant effect (0.250, $p = 0.002$), indicating that the strength of regulatory support for sustainability amplifies the positive impact of sustainable investments on corporate profitability. This finding suggests that businesses operating in regions with strong regulatory frameworks are more likely to benefit from sustainable investments than those in regions with weaker regulations.

Regulatory frameworks play a critical role in shaping the incentives for businesses to engage in sustainable practices. Governments that enforce strict environmental regulations, offer subsidies for green technologies, or incentivize renewable energy investments create an environment in which companies are more likely to pursue sustainability. These regulatory policies not only reduce the risks

associated with environmental damage and resource scarcity but also create opportunities for companies to capitalize on green innovation and sustainability-driven demand.

This result is consistent with research that highlights the importance of supportive regulations in fostering corporate sustainability. For example, Meiwanto Doktoralina, Anggraini, Melzatia, Mercu Buana, & Yahaya (2018) found that firms operating in countries with robust environmental regulations are more likely to invest in sustainable practices because they are assured of a favorable market environment. Moreover, supportive regulations reduce the uncertainties surrounding the long-term viability of green investments, encouraging firms to commit to sustainability.

In contrast, companies in regions with weak regulatory frameworks may face less pressure to adopt sustainable practices and may not fully capitalize on the financial benefits of such investments. The positive moderating effect of regulatory frameworks implies that government policies and incentives are crucial for creating an enabling environment for green finance to thrive. For policymakers, this finding emphasizes the need to design and enforce policies that encourage businesses to invest in sustainability.

4. Implications for Practice

The findings of this study have several important implications for both practitioners and policymakers. First, companies should recognize the financial benefits of sustainable investments. As demonstrated by the results, firms that invest in sustainability not only contribute to environmental protection and social well-being but also enhance their profitability. Businesses should therefore incorporate sustainability into their core strategies, viewing it as a source of long-term value rather than as a cost or obligation. Moreover, integrating ESG factors into corporate governance and operations is essential for realizing the full benefits of green investments.

Second, companies should focus on improving their ESG performance. The mediating role of ESG performance highlights that companies with strong environmental, social, and governance practices are better positioned to reap the financial rewards of sustainable investments. Firms should therefore adopt best practices in ESG management, such as implementing energy-efficient technologies, improving labor conditions, and ensuring transparent and ethical governance.

For policymakers, the study emphasizes the importance of creating and enforcing regulatory frameworks that support sustainable investments. Governments should consider implementing policies that encourage green finance, such as tax incentives for renewable energy projects, subsidies for sustainable technologies, and stricter environmental regulations. These policies not only help mitigate environmental risks but also provide businesses with the certainty they need to invest in sustainability.

5. Limitations and Future Research

While this study provides valuable insights into the relationship between sustainable investments and corporate profitability, it is not without its limitations. First, the data used in this study were cross-sectional, which means that causal inferences can be drawn with caution. Future research could adopt a longitudinal approach to examine the long-term effects of sustainable investments on corporate profitability. Second, this study focused on companies in Indonesia, which may limit the generalizability of the findings to other regions. Future studies could explore the

relationship between green finance and profitability in other emerging markets or developed economies. Additionally, future research could examine other potential moderating or mediating variables, such as corporate culture, managerial attitudes toward sustainability, or the role of external stakeholders like consumers and investors. These factors may also influence the success of sustainable investments and could provide further insights into how businesses can maximize the financial benefits of green finance.

CONCLUSION

This study highlights the significant role of sustainable investments in driving corporate profitability in Indonesia, demonstrating that companies engaging in green finance practices can experience enhanced financial performance. The findings reveal that ESG performance mediates the relationship between sustainable investments and profitability, emphasizing the importance of integrating environmental, social, and governance factors into business strategies. Additionally, the study shows that regulatory frameworks play a crucial moderating role, enhancing the positive impact of sustainable investments in regions with supportive policies. These results underscore the need for both businesses and policymakers to prioritize sustainability, as it not only contributes to environmental and social goals but also offers substantial financial benefits. As the global demand for sustainable practices grows, the integration of green finance into corporate strategies will continue to be a key driver of long-term profitability.

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