

The Influence of Environmental, Social, and Sustainable Lending Portfolios on Financial Performance: The Mediating Role of Environmental Performance in Indonesian Banks

Felysia

Accounting Study Program, Bina Nusantara University, Indonesia

Abstract

This study examines the influence of sustainable lending practices—comprising environmental lending (EL), social lending (SL), and sustainable lending portfolio (SLP)—on the financial performance (FP) of banking companies in Indonesia, with environmental performance (EP) as a mediating variable. Using a quantitative approach, panel data from 21 Indonesian banks during 2020–2024 were analyzed using econometric techniques in EViews. The results show that EL, SL, and SLP have a positive and significant effect on environmental performance. In addition, sustainable lending practices and environmental performance exert a significant positive influence on financial performance, measured by earnings per share (EPS). Mediation analysis using the Sobel test confirms that environmental performance significantly mediates the relationship between sustainable lending practices and financial performance. These findings indicate that the positive impact of sustainable lending on bank profitability operates through improvements in environmental performance. This study provides empirical evidence supporting the integration of environmental, social, and governance (ESG) principles into banking credit portfolios and offers relevant insights for policymakers and practitioners in supporting Indonesia's sustainable finance framework.

Keywords

Environmental Lending, Social Lending, Sustainable Lending Portfolio, Environmental Performance, Financial Performance, ESG, Banking.