

Research Article

The Impact of Green Economy Public Policy on Green Industry Sector Investment

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Abstract

This study explores the impact of green economy public policies on investment in the green industry sector. The transition to a green economy, driven by environmental sustainability goals, has led to significant policy changes aimed at promoting eco-friendly practices across various sectors. This research uses a qualitative literature review method to examine existing studies, reports, and academic papers on how public policies related to green economy initiatives influence investments in green industries. Key areas of focus include the role of government incentives, regulatory frameworks, market demand for sustainable products, and the financial risks and opportunities associated with green investments. The findings suggest that effective green economy policies can attract investments by providing financial incentives, reducing risks, and fostering innovation in clean technologies. However, challenges such as inadequate policy implementation, lack of awareness, and financial barriers still hinder the growth of green industry investments. This study contributes to the understanding of how green economy policies can shape investment flows in the green industry sector and provides recommendations for improving policy effectiveness to drive sustainable economic growth.

Keywords: green economy, public policy, green industry.



INTRODUCTION

The concept of a green economy has gained significant global attention as a sustainable model for achieving economic growth while addressing environmental degradation and resource depletion (Gustiawan, 2025). A green economy focuses on promoting environmentally responsible industries, reducing carbon emissions, and fostering the sustainable use of natural resources. With the increasing urgency to combat climate change and preserve ecosystems, many countries have embraced policies aimed at transitioning to a green economy, investing in renewable energy, sustainable industries, and green technologies.

Public policies play a crucial role in facilitating the growth of the green economy by providing incentives, regulatory frameworks, and financial support to promote green investments (Gustiawan, 2024). Governments worldwide have introduced various measures such as tax breaks, subsidies, and grants to encourage private sector investment in green industries, including renewable energy, waste management, sustainable agriculture, and eco-friendly manufacturing. However, the effectiveness of these policies in attracting and sustaining investments in the green industry sector remains a subject of debate and investigation.

In the context of developing economies, where industrialization is rapidly advancing, the transition to a green economy can present both opportunities and challenges (Gustiawan & Azzahra, 2024). While green economy policies have the potential to drive significant investments into sustainable industries, they also require a reorientation of traditional business models, infrastructure adjustments, and the development of new skills in the workforce. These changes may pose risks for companies that are heavily reliant on conventional, resource-intensive industries. Thus, understanding how public policies related to the green economy influence investment in green industries is critical for policymakers, business leaders, and environmental advocates.

This study aims to explore the impact of green economy public policies on investments in the green industry sector (Gustiawan et al., 2023). Specifically, it examines how these policies shape investment trends, attract new investments, and influence the development of green technologies and industries. Through a detailed analysis, the research will assess whether the current public policy framework

effectively encourages private sector participation in the green industry or if further policy adjustments are needed to enhance its impact.

Ultimately, this study seeks to provide valuable insights for policymakers, industry leaders, and stakeholders interested in advancing a green economy (Ali et al., 2021). Understanding the dynamics between public policies and green industry investments can guide future decisions, ensuring that both environmental and economic goals are met in a mutually reinforcing way.

METHOD

A qualitative literature review methodology is employed in this study to assess the impact of green economy public policies on investments within the green industry sector (Altenburg & Rodrik, 2017). The primary aim is to synthesize existing literature, theoretical frameworks, and empirical studies that focus on how government policies promoting green economies influence investments in sectors such as renewable energy, sustainable manufacturing, waste management, and eco-friendly technology (Vertakova & Plotnikov, 2017). The study emphasizes reviewing a wide range of scholarly articles, reports, policy documents, and case studies to establish a comprehensive understanding of the subject matter.

Research Objective

The key objective of this qualitative literature review is to:

- Understand the relationship between green economy public policies and investment patterns within the green industry sector.
- Identify the challenges and opportunities that arise from implementing green economy policies.
- Assess the role of governmental incentives, regulations, and policy frameworks in encouraging or deterring private sector investment in green industries.
- Explore the social, economic, and environmental outcomes linked to these policies and their impact on the industry.

Literature Search Strategy

The literature review methodology relies on systematic searches of various academic databases, government publications, and industry reports to collect relevant materials (Zahan & Chuanmin, 2021). The following steps are followed in the literature search:

- Database Selection: Key databases such as Google Scholar, JSTOR, ScienceDirect, and SpringerLink are searched to gather peer-reviewed articles, books, and academic papers.
- Keywords: Keywords like "green economy," "public policy," "green industry investment," "environmental policy," "sustainable development," "eco-friendly investment," and "renewable energy policy" are used to find relevant studies.
- Inclusion and Exclusion Criteria: Only studies published in the past 10-15 years are considered to ensure the relevance and timeliness of the findings. Articles that focus on green policies and investments in both developed and developing economies are included. Studies that discuss broader economic impacts without a focus on the green economy or investment sector are excluded.
- Grey Literature: In addition to peer-reviewed studies, grey literature such as government reports, NGO publications, and policy briefs are also reviewed for insights into practical implementations of green economy policies.

Data Collection and Analysis

Once relevant studies and documents are identified, they are systematically analyzed using the following approach:

- Thematic Coding: A coding process is used to categorize the findings from each source. Themes such as "policy impact," "investment incentives," "regulatory challenges," and "investment outcomes" are identified (Owen et al., 2018).
- Content Analysis: The texts from selected articles are analyzed to extract relevant information and insights on how public policies have shaped investment in green industries. The analysis includes an examination of the policy instruments used (such as tax incentives, subsidies, green bonds, or carbon pricing), the mechanisms through which they influence investment, and the outcomes in terms of both economic growth and environmental sustainability.
- Synthesis: A synthesis of the themes derived from different sources is conducted to form a coherent narrative regarding the overall impact of green economy policies on green industry investments. Both positive and negative impacts are highlighted, as well as the complexities involved in policy implementation.

Evaluation of Sources

Each source is critically evaluated for its relevance, methodological rigor, and contribution to the field. The credibility of the sources is assessed based on the following criteria:

- **Author Expertise:** Preference is given to sources authored by recognized experts in the fields of environmental policy, sustainable development, and economics.
- **Publication Outlet:** High-quality journals, industry reports from reputable organizations, and government publications are prioritized.
- **Contextual Relevance:** Sources that discuss green economy policies in a context similar to the study's focus are given more weight. This includes studies on green investments in both developed and emerging economies.

Limitations of the Study

This qualitative literature review acknowledges certain limitations:

- **Scope of Literature:** Although extensive, the literature review is constrained by the availability of empirical studies that specifically address the impact of green economy public policies on green industry investments. In some regions, data may be limited or inaccessible.
- **Subjectivity in Analysis:** The qualitative nature of the study may introduce some degree of subjectivity in the interpretation and synthesis of themes, as different scholars may interpret the same data differently.

RESULT AND DISCUSSION

The implementation of public policies promoting the green economy has had a significant impact on investment in the green industry sector. These policies, which include incentives such as tax breaks, subsidies for renewable energy projects, and stricter environmental regulations, have created an environment that encourages both domestic and foreign investments in sustainable industries. In countries where green economy policies have been effectively implemented, there has been a noticeable shift in investment patterns, with more capital flowing into renewable energy, waste management, and eco-friendly manufacturing sectors.

The green economy public policy has also spurred innovation in green technologies, fostering the growth of industries focused on energy efficiency, carbon

reduction, and sustainable resource use. This has been particularly evident in sectors like solar energy, electric vehicles, and bio-based products, where investments have surged due to favorable government support. In some regions, green bonds and eco-friendly investment funds have emerged as popular instruments, attracting investors who are both environmentally conscious and financially driven.

Furthermore, green economy policies have helped reduce the perceived risks associated with investing in green industries. With clear regulatory frameworks and long-term sustainability goals set by governments, investors are more confident in the viability and profitability of green industry ventures. This has led to a broader acceptance of green investments, which were previously seen as high-risk or niche markets.

However, the impact of these policies varies across different regions and sectors. In countries with more robust policy frameworks, the green industry has seen exponential growth, whereas in regions with less consistent policy enforcement, the response from the investment community has been slower. Additionally, while green policies have encouraged investments in specific sectors, the transition to a fully green economy remains slow in industries that require large-scale infrastructure changes or where initial capital costs are high.

Overall, green economy public policies have undeniably stimulated investment in the green industry sector, with promising trends in sustainability and innovation. Nevertheless, challenges remain in terms of policy consistency, accessibility of financing for small-scale ventures, and the need for further technological advancements to reduce the cost of green products and services.

The transition toward a green economy has become a central focus of many countries seeking to balance economic growth with environmental sustainability. Green economy public policies are designed to encourage sustainable practices, reduce environmental degradation, and foster industries that contribute positively to the environment. These policies have a significant impact on the green industry sector, influencing investment, innovation, and the overall growth of sustainable industries. In this discussion, we explore the various ways in which green economy public policies affect investments in the green industry sector, identifying both the positive impacts and potential challenges.

1. Encouragement of Sustainable Investment

One of the most direct impacts of green economy public policies is the stimulation of investments in the green industry sector. Governments, through regulations, incentives, and subsidies, create an environment conducive to the growth of green industries, which include renewable energy, sustainable agriculture, green manufacturing, and waste management. Policies such as tax breaks, grants, and carbon pricing incentivize businesses to adopt environmentally friendly technologies and sustainable practices.

For example, policies that offer tax credits for renewable energy projects encourage private investors to fund solar, wind, and other clean energy initiatives. Similarly, green public procurement policies, where governments prioritize the purchase of sustainable products, further increase demand and encourage investments in the green sector. This support can be crucial for green industries, which often face higher upfront costs compared to traditional industries, but offer long-term benefits both for the economy and the environment.

Moreover, the commitment of governments to a green economy often signals to the private sector that sustainability is a key business imperative. This helps to reduce perceived investment risks, making the green industry sector more attractive to both domestic and foreign investors.

2. Creation of New Market Opportunities

Green economy policies also play a critical role in creating new market opportunities for green industries. By setting regulations that demand more sustainable practices or by promoting innovation through research and development funding, these policies open up new avenues for business development and growth in the green sector. This is particularly evident in the renewable energy sector, where increased demand for solar panels, wind turbines, and energy storage solutions has created numerous business opportunities.

Additionally, green economy policies often lead to the development of new technologies and industries. For example, policies supporting electric vehicles (EVs) or green building standards have led to rapid growth in the electric vehicle market and the sustainable construction industry. This shift not only provides new revenue streams for businesses but also helps create a competitive market where companies can differentiate themselves based on sustainability.

Through the establishment of green supply chains and innovation clusters, public policies foster the emergence of new green technologies, encouraging more sustainable production methods, resource efficiency, and waste reduction. This dynamic leads to a broadening of market opportunities across various sectors, which, in turn, attracts new investments.

3. Attraction of Foreign Direct Investment (FDI)

A well-designed green economy policy can also attract foreign direct investment (FDI) into a country. Many multinational corporations are increasingly prioritizing sustainability in their business strategies and are looking for investment opportunities in countries that support green initiatives. Countries with strong environmental policies, a commitment to the Paris Agreement, and incentives for green investments become more attractive to foreign investors.

FDI in green industries can help transfer knowledge, technology, and capital, enhancing local industry competitiveness. For instance, foreign investments in renewable energy projects or eco-friendly manufacturing operations can spur the development of local industries, improve infrastructure, and generate employment. This increased flow of capital into green industries not only supports economic development but also drives the global shift toward sustainability.

Countries with clear and consistent green economy policies provide a more predictable investment environment, reducing uncertainty for foreign investors. Additionally, green policies can align with corporate social responsibility (CSR) objectives of multinational companies, which are increasingly focused on environmental impact.

4. Challenges and Barriers

Despite the positive impacts, green economy public policies also present certain challenges that may hinder investments in the green industry sector. One significant challenge is the high initial capital cost associated with green technologies. While the long-term benefits of green investments are clear, the upfront costs can deter businesses from making the transition, especially small and medium enterprises (SMEs). Green economy policies must, therefore, offer robust financial support to address these cost barriers, through subsidies or low-interest loans, to ensure broader participation from various sectors of the economy.

Another challenge is the inconsistency and unpredictability of public policies,

especially in countries where political stability may fluctuate. Changes in government or shifts in policy direction can undermine the confidence of investors in the long-term viability of green projects. For example, a sudden change in renewable energy subsidies or carbon tax regulations can lead to financial losses for companies that have already made substantial investments based on prior policies.

Additionally, the lack of clear guidelines and regulations in some countries can create uncertainty for businesses in terms of compliance and market entry. Clear, transparent, and stable policies are crucial for fostering an environment where businesses can plan and invest confidently in green industries.

Finally, there is often resistance from industries that rely heavily on non-renewable resources. Fossil fuel industries, for instance, may lobby against policies that promote renewable energy, fearing that their market share will decrease. In such cases, green economy policies need to be crafted carefully to address both environmental goals and the transition for industries and workers in traditional sectors.

5. Long-Term Economic and Environmental Benefits

In the long run, green economy public policies lead to both economic and environmental benefits. For instance, increased investment in renewable energy reduces dependency on fossil fuels, contributing to energy security and stabilizing energy prices. Similarly, the promotion of green manufacturing processes reduces resource consumption and waste, which can lower production costs over time.

Moreover, a green economy can generate significant employment opportunities. As industries transition to more sustainable practices, there will be an increased demand for skilled labor in the renewable energy, green construction, and sustainable agriculture sectors. This, in turn, can contribute to reducing unemployment rates and improving local economic resilience.

Finally, the shift to a green economy helps mitigate the effects of climate change, reduces pollution, and preserves natural resources for future generations. The positive environmental impact also aligns with global sustainability goals, such as those set out in the United Nations' Sustainable Development Goals (SDGs), which further enhances the attractiveness of the green industry sector to investors who prioritize sustainability.

CONCLUSION

Green economy public policies play a pivotal role in shaping investment in the green industry sector. Through incentives, subsidies, and regulatory frameworks, governments can attract both domestic and foreign investments, create new market opportunities, and promote innovation. However, challenges such as high initial costs, policy instability, and resistance from traditional industries need to be addressed to ensure the long-term success of green investments. Ultimately, a well-executed green economy policy fosters not only economic growth but also environmental sustainability, creating a win-win situation for both the economy and society. For investors and policymakers alike, understanding the impact of these policies is essential for ensuring a smooth and effective transition to a greener, more sustainable future.

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