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Green Finance Strategic and Sustainable Development: An Empirical Study

Leah Jemutai Barno

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Leah Jemutai Barno*

TF, Bomet University College, Bomet County, Kenya.

jemutaileah@yahoo.com

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Abstract

Sustainability in organization has become an interest to organization in this 21st century. This enables the organization to live for more years than short term performance. Organizations are concerned with both short-term and long-term performance. The paper investigates the impact of green finance management on sustainable future business development. Sustainable resource theory as well as resource based view theory was adopted with resource for competitive advantages as well as sustainable development. Sustainable resources theory explains the importance of resource that has long term gain for future development. Green finance strategic management has been supported by the theories since it enables organization to be sustainable as well as competitive in the turbulent business environment. A desk review of existing literature indicated that green finance strategic management is a modern approach to dynamic macro-environment that has significantly affected organization. According to the findings green finance strategy is a rising concept that is concerned with ensuring a sustainable finance planning that would ensure sustainable development. Green finance strategic management approach would enable reduction of environmental degradation, cost reduction, clean energy, new job opportunity, reuse and recycling of materials and manageable future development. The study recommended that firms should adopt green finance in managing finance by purchasing as well as developing products, processes and resource that have long term utility and environmental friendliness. Future recommendations of studies to be conducted in green strategic management and performance of organization.

Key terms: Green Finance, Green Strategic Management, Sustainable Development.

1. Introduction

Globally, there is need for sustainable development. Sustainable development is based on three concepts; economic growth, environmental management and social stability. According to Garza (2013), creating appropriate strategy that would ensure long-term justifiable development that would take care of future generations is crucial and should be integrated in strategies and envisaged in policies. This would ensure sustainable development in organizations. Symptoms of environmental crises are visible through drought, food insecurity, unexpected floods, unemployment and unsustainable economic development. Environmental crisis has robbed lives and livestock in agricultural sector. Economical constraint of resources is also visible in Kenya. This is seen through high cost of production that has led to closure of companies, retrenching employees and lack of employment for youth and other employable populations. The economic implication of lack of sustainable development has affected both individual and companies. Social problems are highly linked with unemployment of youth and economic issues in the organization.

In order to ensure social, environmental and economic factors are well integrated to form sustainable development, there is need for adaptation of appropriate strategies. Integrated green finance in organizations enables the financial manager to purchase and utilize finance for sustainable resource utilization that can be renewed, reused, recycled and provide a long life solution (Padash, Bidhendi, & Ardestani, 2015). Green finance strategic management in decision making is then associated with environment-based strategies that ensure green purchasing and social responsibility. Organizations should also include environmental assessment through environmental regulation, policies, control and reduction of emission as well as waste disposal system. Green manufacturing is a new concept that ensures green recycling and reduction of wastage, life cycle assessment and environment conscious design. Green finance ensures environmental financial audit, financial planning, environmental based resource planning.

2. Literature Review

Theoretical and empirical reviews were assessed on green strategies and sustainable development.

2.1 Theoretical Review

Green strategies and sustainable development is supported by resource based view theory and sustainable resource based theory.

2.1.1 Resource Based View theory

Resource Based View theory is an approach to achieving competitive advantage which came up in 1980s and 1990s after major work published by Wemerfelt *et al* (1984). This theory postulated that a firm has bundle of resources that when optimized would create competitive advantage. According to resource-based view theory, for a firm to gain its competitive advantage the available resources have to be used effectively and efficiently. Supporters of this view argue that organizations should look inside the firm to find the sources of competitive advantage instead of looking at competitive environment for it.

Maina (2011) points out that at any given time a firm has certain productive resources which can be used to exploit productive opportunities to allow the firm to grow successfully. An Integrated Financial Management Information System is one of the financial systems that were built with aim of optimizing resources. Owies (2012) asserts that if a firm has excess resources that are transferable into other industries, it should utilize these resources to take advantage of profit opportunities in different industries and lower its average cost of production. Ng'ang'a, (2015) also found that a firm should try to maximize exploiting the valuable resources it has by sharing them across as many businesses as possible.

The theory envisages the need for proper utilization of financial resources. This enables the firm to use finance as internal resource. Green finance enables an organization to use financial resources not only for competitive advantage but also for sustainable development. This would ensure an organization remains competitive for long-time.

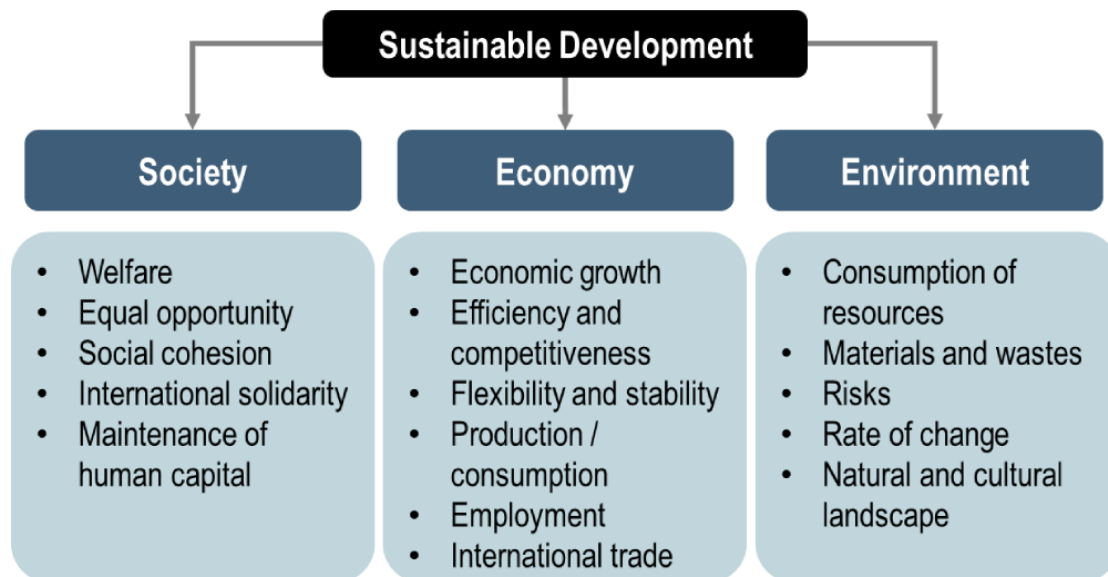
2.1.2 Sustainable Resource Theory

The idea of sustainable theory was first developed by Brundtland and Beyond in 1972. Sustainable resource theory resembles the scarce resource theory with exception short term against long term agenda. According to Thurow (1993) sustainable resource theory explains that in future, process technologies will supersede product technology. Future industry will be dependent on brain power. Comparative advantage which was made through natural resource endowment will be succeeded by man-made competitive advantage. According to Swanson and Holton, (2001) human capital development provides sustainable long term sustainable economic performance.

Organizations need to be sustainable in nature through utilization of resources to great extent. Sustainable resource utilization can attain through the use of green finance. Despite majority of scholars concentrating in human resource development and technology dependents, green finance is a new growing concept that concentrated in ensuring social, economic and environmental development (Garza, 2013). Green finance enables financial major to look long term benefit of resource through purchasing environmental friendly products and process.

2.2 Empirical Review

Sustainability has increasingly become important which has invited numerous strategies that ensure the society has the right welfare, equality, cohesion and management of human resource. It also envisages economic growth, efficiency and competitiveness, stability, productivity, employment and international trade representing the economy aspects. Finally, environmental transformation is expected where material and wastes are well managed, mitigation to risk, natural and cultural landscape and consumption of resources (Garza, 2013).



Source: Adopted from Garza, (2013).

Garza (2013) focus on strategic sustainability basing the strategic level that is operational level, tactical level and strategic level in relation to economic, environmental and social initiatives. This model provided solution to common issues where waste reduction, green products, recycle and among others which relates to green strategies.

According to Achieng' (2016) the benefit of adopting green finance strategies included reduction of business costs, reduction of environmental degradation and improved customer base. Majority of adopted strategies in large firms who have a started to embrace green strategies include clean technology and pollution prevention. Organizations develop green finance strategies by integrating financial goals and objectives with green purchasing, green manufacturing, green energy solution, green building, green logistics and green manufacturing strategies for sustainable future. This ensures that organizations reduce wastage, cost and hence increase efficiency in its operations.

Sharif and Vijay (2018), examined green finance as strategy that leads to sustainable development. In an era of technological progress the world is facing the following issues; monetary related problem, vitality limitations and environmental changes. In this way, organizations should focus on reducing environmental degradation in the process of setting corporate responsibility as well as internal mechanism in adopting green strategies. Green finance provide solutions that enable organizations to have sustainable economic development. Green finance considers development of financial solutions that reduce air pollution, manage industrial waste as well reduce depletion of ozone layer. This can be achieved through utilizing funds in green activities, green development, green security and green structures. This improves the the overall national Gross domestic product (GDP) and sustainable economic development. In this paper an endeavour has been made to explore the existing literature on the green finance and future scope of green finance in India.

Babita and Priti (2019) examined green finance in forstering sustainable development in India. Green finance has become very crucial part of organizational development as well as global environmental conservation. It has advanced environmental benefits that have an impact in communities' current and future generations. Its had advance benefits in future sustainable development of organizations through provision of clean, resilient and inclusive environmental benefits. The study is descriptive in nature and is based on secondary data taken from various government reports published by the Government of India and other published reports of public and private sector organisations and banks in India. Findings revealed that green finance support flow of finance to the community, public, non-profitable organization and private sector enabling sustainable development. Non-governmental organizations have played an important role in compaigning for green sustainable development. United Nations Organizations had aligned there financial system in ensuring that green financing incorporated in attaining 2030 sustainable development goals. India has adopted green finance strategy to enhance the economic development in a sustainable. Where about \$4.5 trillion has been budgeted for green infrastructure till 2040. This will enable green finance strategy to be roled over the private and public sector. The banks as well as organization will benefit from green infrastructure. Currently, India exploits green finance in private and the public sector. However, there are challenge in implementation of green finance as a result of lack of knowledge and awareness among both organizations' employee and public. The study suggest government of India to take initiative in training, giving information and developing policies that will enhance green finance in private and public sector. The present study therefore mainly explores the various green financing initiatives taken by the public and private sector organisations in India.

Padash, Bidhendi and Ardestani (2015), investigated green strategy management framework in relation to sustainable development. Environmental management system model which emphasized on Plan-Do-Check-Act cycle represent the first framework that ensure monitoring, tracking and reports of emissions information. The model assists in environment management and reduction of carbon emission which suits green manufacturing strategy. The second model is ecological management and audit scheme which plays an important role in energy and material efficiency through reduction of wastage and emissions, biodiversity and water management. It ensures environmental performance and monitoring is done through key performance indicators where over 4600 organizations have adopted. Life cycle assessment (LCA) model evaluate environment based on activity, process or products where the material used, energy consumed as well as wastes to environment are assessed are assessed and evaluated.

2.3 Summary of Literature Review

Green finance is a new knowledge which is adopted in developed countries. However, it has been pushed by non-governmental organization as means of reducing 20th and 21st century effects of industrialization to the environment. According to Garza (2013) there exist a need to focus on sustainable environment, economy and society through improving the international relationship, economic expansion, employment, international trade, reduction of environmental pollution, consumption of resources and reduction of wastage. Achieng (2016) pointed out green finance can be embraced through the use of green solution which include green purchasing, green building, green energy, green logistics and green manufacture. Green finance act as way of enhancing the environment, economy and social development.

The need of sustainable development has been triggered by depletion of ozone layer, industrial waste, climate changes and air pollution which accelerates global warming. According to Sharif and Vijaay (2018), in order to reduce the impact of monetary related problem, vitality limitations and environmental changes, organization should adopt green financing strategies. This can be achieved through using the funds in green activities like green development, green security, green structures and green building which use less finance but are environmental friendly. Babita and Priti (2019) on the other hand identified that green finance support in financial flow to private and public sector. This has advance impact on sustainability of organization through offering clean, resilient and inclusive environmental benefits. India as one of the nations that have adopted green finance strategies has benefited from green infrastructures. Current challenge requires improvement of knowledge through training.

Padash, Bidhendi and Ardestani (2015) also identified that environmental sustainability can be enhance through ecological management and audit scheme which plays an important role in energy and material efficiency through reduction of wastage and emissions, biodiversity and water management. This is possible through adoption of green financial management. There is need to balance the environmental conservation, reduction of pollution and economical sustainability to obtain the best future for the new generations.

3. Research Methodological

The paper used desk review of existing literature to come with conclusion and recommendation. The desk review analysis empirical literature to develop new knowledge that explains green finance and sustainability in organization.

4. Conclusion and Recommendation

4.1 Conclusions

The paper concluded that green finance is a new concept that is adopted among developed countries. There is need to develop framework for utilization of green finance. The adoption of green finance in India has indicated challenges in knowledge awareness among the organization and public. This is a challenge that is foreseen in developing countries. The paper identified that green finance entails integration of funds allocation with green strategies like green building, green structures, green supply, green logistics, green manufacturing, green purchasing and green activities. As result of these applications organizations are able to maintain economic, social and environmental sustainability. There existed a significant relationship between the green finance and social, environmental and economic finance. This was found through a link of green finance with clean, resilient and inclusive environmental benefit. It was also identified that there is reduction of cost as result of adoption of recycling, reuse and ecological friendly products. However, the society benefit from employment and other development as result of green finance.

4.2 Recommendations

The study recommends that training and public awareness of green solution should be implemented by nations to ensure sustainable development. The awareness would assist both public and private sector to adopt green finance strategies. The study suggests that nations should develop appropriate policies and procedures that are in line with green finance. It also proposes that organization should also develop policies that enhance green finance and sustainable development. As result of few study primary data analysis should be collected for further research in green finance and sustainable development.

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