

SUSTAINABILITY FOR BUSINESSES: MARKETING AND FINANCE PERSEPECTIVE

**Aruna Dev Rroy, Royal School of Commerce, Royal Global University,
Guwahati, Assam, India**

**Uma Gulati, Gitarattan International Business School, India
Srilalitha Girija Kumar Sagi, Gitam Institute of Management, Gitam
University, Andhra Pradesh**

**Kavitha R Gowda, School Of Business and Management, Christ Deemed-To-Be
University**

ABSTRACT

Sustainable finance is no longer a new term. Since the last decade, researchers, academicians, and organizations are talking about sustainable finance. Previously, organizations were free to think about only the profit motives of their stakeholders, but now the situation is different. The organizations also need to think about their social, governmental, and environmental. Sustainable finance can help organizations in improving their response to the ESG framework. This paper is based on a literature review, and the facts of the literature review have been validated with the help of interviews. Online interviews have been conducted by the researchers. Through sustainable marketing practices, businesses can enhance its image and attract more sales and customer loyalty as society is getting more socially responsible. Sustainable marketing includes sustainable products which are not just eco-friendly but includes social and economic practices. It is not just going green but is about generating sustainable profits within the periphery of our society and planet.

Keywords: Sustainable finance, ESG framework, Management, SMEs, Marketing.

JEL Classification: M20, M21, I18.

INTRODUCTION

Sustainability is the key issue for current and future generations. In this era of globalization, organizations and countries are progressing, but sustainability issues are major concerns (Migliorelli, 2021). The way we are using different types of resources, there will be a scarcity of resources for future generations (Kumar & Aggarwal, Sustainable development through social media tools, 2018; Kumar & Ayedee, Sustainable development in SMEs through social media channels, 2019). In the last few years, organizations have moved towards sustainable marketing (green marketing), but finance is also an important element of management. Organizations need to look for sustainable finance if they want to achieve sustainability in full form. The natural resources are depleting, and it is calling a strong disbalance in ecological, social, and governmental resources. Currently, the whole world is facing a COVID-19 pandemic, and the researchers also tried to find out a link between climate change (ecological disbalance) and the COVID-19 pandemic (Kumar & Ayedee, 2021). Sustainable finance is needed because the finance sector is an important player in the global market, and one cannot ignore the contribution of this sector towards sustainability.

Why Is Sustainable Finance Needed?

Sustainable finance is the need of the hour. Firstly, we need to understand why sustainable finance is needed? The first consideration of sustainable finance is to encounter the ESG factors (Adrienne, 2020). The ESG factors include environmental, social, and governance factors. The business activities are affecting the environment with an increase in carbon emission, waste management, and energy efficiency. Even the bigger organization like Starbucks is looking to reduce their carbon emission, wastage, and water consumption by 50% (Pfanner, 2021). The second prevalent issue is related to social factors. The organizations are facing gender diversity issues, and customer satisfaction is also a concern (Kumar & Ayedee, Strategic HRM Practices to Deal with Gender Diversity Problems in Organizations, 2019). As the organizations are moving from their home country to host country, it is not easy to satisfy the needs and wants of the customers. It is also challenging for organizations to maintain community relations and relations with other stakeholders. The third prevalent issue is governance factors. Business organizations need to restrict themselves to transparency in daily business activities, but it is not happening. The organizations are facing governance issues pertaining to the composition of board members. Bribery and corruption still exist in the system of organizations, especially in developing countries. Executive compensation is also a prevalent issue for organizations. The organizations have moved towards sustainable marketing (green marketing) because they want to respond to all the issues covers in the triple bottom line approach of sustainability (Agrawal & Singh, 2019). The triple bottom line approach of sustainability talks about people, the planet, and profit. There is some similarity in ESG factors and the triple bottom line approach of sustainability. Both ESG factors and the triple bottom line approach talks about environmental issues and social issues. Social issues are congruent with people issues in the triple bottom line approach of sustainability.

The UN sustainable development goals and Paris agreement are also talking about sustainability (Tolliver, et al., 2019). It is not possible to achieve the objectives of Sustainable Development Goals and the Paris Agreement without a newly established technological framework, enhanced capacity building, and fool-proof sustainability planning (Migliorelli, 2021). The main components of sustainable finance are sustainable development goals and other sustainability-related policy objectives. Sustainable finance includes environmental, social, economic, and other sustainable development goals.

Sustainable Marketing Perspective

For any business to survive, sustainable marketing is highly essential. Customer's being emotional, if see products which are socially viable and environmentally friendly, prefer it over the rest. Thus, organizations and marketers must adopt to sustainable marketing principles and strategies.

Sustainable marketing principles for small businesses include customer -oriented marketing, customer-value marketing, innovative marketing, and societal marketing. Few sustainable marketing strategies would be recycling practices at workstations, encourage green commuting, remote work opportunities to be provided, going digital, sense of mission marketing and forming sustainable committee at work.

Marketing activities may have carbon footprints in the form of billboards, banners, print ads, which can be made sustainable through campaigns, billboards and flyers using eco-friendly materials and recyclable elements. Another way of sustainable marketing strategy would be going

digital with communication through blogs, advertising, email marketing and newsletters.

Marketing should not stop at providing quality products and providing customized products but to consider what has become important to current consumers to greater extent. As trend is shifting towards sustainability, marketers must focus more on the sustainability products. Thus, marketers will have to use the resources wisely to support business for the long-term growth. Thus, businesses must make marketing and sustainability run in a parallel way. Businesses get better visibility through sustainable business practices as well as through sustainable marketing strategies. It is all about social marketing by considering the importance of products from customer point of view. Consumers are more concerned about how a product is made, what it is made from and how an organization creates it.

Sustainable marketing aims to increase profits by focusing at providing sustainable products and services. With government shifting to drafting more stringent laws and practices; public policies and practices towards sustainable business practices supported by sustainable business practices followed by organizations can achieve sustainability of planet earth.

Few of the sustainable practices followed are:

1. Amazon Sustainability Data Initiative is about leveraging sustainability through innovations
2. PepsiCo is very close to 100% of using recyclable, compostable and biodegradable packaging. It has achieved 88% of the same so far. After adopting to Alliance for Water Stewardship (AWS) it has far surpassed its goal of providing safe water to 25 million since 2006.
3. Unilever having more than 400 brands in 190 countries with its wide products offerings in 190 countries, has worked and continuing to work on its goals like reducing the carbon footprints to half of what was produced, sourcing of sustainable agricultural materials, and helping wellbeing of more than one billion people.
4. New Belgium Brewery Company uses solar panels to power their bottling plants, use of wastewater to power their plant and provide bicycles to their employees to move in the plant.
5. L'Oréal uses sustainable materials for their products and follows recycling for sustainable business practices.

Sustainable marketing is all about improving quality of life, improving quality of consumption by encouraging ideas, products, and services to protect the environment. Sustainability is essential in every sector, if followed in all sectors, and at home, the planet would be a great place for all generations to live with peace.

LITERATURE REVIEW

Ryszawska (2016) argued about the transition in the existing model of finance and economy. Previously the business was focusing on maximizing the profit of shareholders and stakeholders, but now businesses cannot run for a longer time if the business will not understand their social and environmental responsibilities. A sustainable transition in the economy is needed; businesses need to move towards a green economy. The green economy will also reduce carbon emissions and mitigate the impact of climate change as well. The sustainable transition in the economy needs sustainable finance. How to make the transition towards sustainable finance? The business needs to think about different dimensions. Those different dimensions are climate finance, green finance, sustainable finance, and sustainable financial system (Ryszawska, 2016). Under climate finance, organizations need to think about reducing carbon emission by the transition towards climate resilience. Under green finance, organizations need to reduce their negative environmental concerns. Organizations need to move towards a sustainable financial system by reducing social and environmental aspects.

As argued by Schumacher, et al. (2020) Japanese economy and financial sector are exposed to climate risks both inside and outside Japan. There is no doubt in the fact that Japan is developing at a rapid pace with new technological inventions, but climate risks are a matter of concern. As per

the Paris agreement, Japan needs to curb its climate risks. Sustainable finance can help Japan in reaching the goals of a zero-carbon economy and reduction in climate risks. There will be an integration of sustainable finance with the ESG model. Sustainable finance will bring more transparency to the system, and Japan is exposed to physical climate risks and transitional climate risks (Schumacher, et al., 2020). Both shorter-term aims and longer-term aims are needed to achieve full sustainability in Japan. Both at the corporate level and policy level, an ESG integration is needed. Japanese financial market is also at risk.

Sustainable finance can help in safeguarding both the Japanese financial market and different types of climate change risks.

Aboulamer & Soufani (2012) argued about sustainable finance and SMEs. SMEs are a strong pillar of any economy nowadays. SMEs provide the chance for new entrepreneurs to make an entry into the market, and at the same time, they are the foundation for smaller companies to grow. SMEs are contributing to different sectors of the economy, and at the same time, their efforts are required for sustainability (Kumar & Ayedee, Sustainable development in SMEs through social media channels, 2019). SMEs are also looking for sustainable growth and integrated marketing techniques. They have adopted different types of social media marketing tools for sustainable growth in marketing (Kumar & Ayedee, Social Media tools for business growth of SMEs, 2018; Asmat, et al., 2021). SMEs are facing different types of challenges in the adoption of social media tools, but the COVID-19 pandemic has taught them to achieve sustainability by adopting social media tools. Due to COVID-19, many industries are moving towards technology to achieve sustainability and profit (Ayedee & Kumar, 2020). It is true that technology is helping SMEs and other organizations in achieving sustainable marketing, but SMEs need to look towards sustainable finance too. Why is sustainable finance needed for SMEs? Sustainable finance will enhance the productivity of SMEs. It will increase the utility of stakeholders and the aggregate utility of the firms (Aboulamer & Soufani, 2012). Most SMEs work on the family-oriented business and it is important for them to work on a sustainable finance model so that they can continue with the business for their future generation as well. Traditional financial theories talked about maximizing the wealth of the stakeholders, but at the present time, SMEs need to think about social perspective much ahead than creating wealth. If SMEs think about social perspective, then they can compete with big organizations.

Sustainable finance is important from the investors' perspective as well (Jayaram & Singh, 2020). The researchers have seen the scope of sustainable financing in equity financing. The investors have a favorable attitude towards the organization, which supports environmentally friendly practices. Investors nowadays are reading and taking more interest in the climate policy and social policy of the firms because they understand such firms have a bright future. In the previous literature, there is a term emerging with the name climate finance. Climate finance is playing an important in economic development, and at the same time, it is important for private investment as well as an institutional investment. The communication of the investors also matters regarding sustainable finance.

All the nations are working for UN Sustainable Development Goals 2030. It is hard to achieve sustainable development without green growth. It is more challenging for developing countries to achieve sustainability because they have fewer resources. Here, the government needs to play a proactive role. Yakovlev & Nikulina (2019) argued about the strategy of Malaysia for achieving the goals of sustainable finance. The industrial policies should pressurize more on pressing environmental and social issues. The developing economies should make the transition from a carbon-intensive economy to a low-carbon economy (Yakovlev & Nikulina, 2019). Organizations should look forward to environment-friendly investments. There should be more emphasis on developing green products in both banking and non-banking sectors. This is a new area for many business owners; the organization should emphasize more research and development

in the field of sustainable finance. Investors should ask for sustainable products so that organizations will also feel pressure to move towards a sustainable finance approach. Ciobanu, et al. (2020) also discussed key issues related to sustainable finance and what actions can take the organizations towards sustainable finance. Sustainable finance can help in encountering the issue of sustainable growth in long term financing and development needs of the society. Financial stability is needed through environmental incorporation and social impact. Again, sustainable finance will help in achieving financial stability through the ESG framework. Sustainability in finance can be achieved by adopting it in various processes. Sustainability should be in the process of provision and financial advice. The credit rating agencies should also take care of financial sustainability, and those agencies should make it a point. The organizations make several efforts to improve their credit rating (Ciobanu, et al., 2020). If credit rating agencies provide extra weightage for sustainable finance, then organizations will be much serious about that. There is a need to incorporate different types of sustainability into the prudential requirements. The various financial commission should take care and communicate more about climate finance and green finance to the organizations. The environmental factors should be given much consideration.

METHODOLOGY

The researcher has adopted an online interview methodology to verify the facts that came out of the literature review. Amid the COVID-19 pandemic, it was not easy to approach the respondents physically, so an online interview has been conducted. The respondents include professionals working in firms, SME owners, managers, post-graduate students, bankers, investors, stockbrokers, and university professors.

The statement of the first interviewee is mentioned below. (W1- Working Professional)
“Sustainable finance is in the discussion for a long. It will bring more transparency in our existing system, and it will also help us in achieving the goals of corporate social responsibility.”

The statement of the second interviewee is mentioned below. (W2- Working Professional)
“Human thinks that they have achieved a height of technical advancements in each sector, but it is not true. At present, the whole world is dealing with one coronavirus, and the medical sector is still looking for a more accurate vaccine. For growth’s sake, we cannot deteriorate the environment more. Sustainable finance will help us in reducing the climate risks.”

The statement of the third interviewee is mentioned below. (W3- Middle-level manager)
“The multinationals can’t longer think about only profits and increasing their market share. Many big organizations like Starbucks, Coles, and Woolworths, etc., are realizing their social and environmental responsibility, and accordingly, they are changing products and services. But still, they are not able to achieve hundred percent goals of sustainability. Sustainable finance frameworks will help them in reaching the goals of sustainability by a reduction in their carbon emission to zero percent.”

The statement of the fourth interviewee is mentioned below. (W4- Stockbroker)
“The investors nowadays are looking for honest data and financial transparency. It is not possible to achieve financial transparency with sustainable finance. In fact, few of the investors also consider the ESG matrix of the company before investing. Sustainable finance can improve that ESG matrix of the organization.”

The statement of the fifth interviewee is mentioned below. (W5- University Professor)
“Sustainable finance is also important from the student’s perspective as well. It is important for the business graduate to understand the psychology and business terms of the potential financial investors. Nowadays, financial investors are looking for an ESG matrix of organization. The learning of sustainable finance can help the students in future jobs and roles.”

The statement of the sixth interviewee is mentioned below. (W6- Post-graduate student)

When all the nations are talking about sustainability, are we making special efforts to reach there? I mean, sustainable finance is slightly a new term for me. We need to achieve sustainability in all aspects, either finance, marketing, or any other domain.

The statement of the seventh interviewee is mentioned below (W7- Investor). We are witnessing many frauds in the balance sheet and financial results of the company. In my opinion, sustainable finance will bring much-needed transparency to the system. For the last decade, we are focusing on green supply chain management, green marketing, and sustainable marketing practices. In this decade, we also need to focus on sustainable finance.

The statement of the eighth interviewee is mentioned below. (W8- Banker)
Sustainable finance will help the organizations in reducing carbon emission, and in this manner, the organizations can contribute towards their social and environmental responsibility. The organizations can also improve their corporate governance by achieving the goals of sustainable finance.

The statement of the ninth interviewee is mentioned below. (W9- SME owner)
I believe SMEs have fewer financial resources and those SMEs need to counter the challenges of big organizations. Sustainable finance can help SMEs in countering the challenge of big multinationals, and they don't need big investment for that. SMEs need to improve their practices and move towards sustainable finance.

The statement of the tenth interviewee is mentioned below. (W10- SME manager)

SMEs are looking for growth, and at the same time, we need to fulfill our corporate social responsibility. Sustainable finance can help us in improving our efforts towards corporate social responsibility. In the coming time, the investors should also favor those organizations who will be responsible for sustainable finance.

DISCUSSION AND FINDINGS

The literature review highlighted the fact that sustainable finance is needed not only for bigger organizations but also for SMEs. Sustainable finance will help organizations in achieving their goals of environmental and social responsibility. The nations are talking about sustainability goals, and those sustainability goals are incomplete without sustainable finance. The nations want to improve their eco-friendly practices, and those eco-friendly practices cannot be achieved only by sustainable marketing. Sustainable finance will also help SMEs in improving their standards and bring more transparency to the system. Those SMEs can match up with big multinationals in the longer term if they think ahead of sustainable finance. Organizations can improve their response towards climate change by moving towards sustainable finance. The interviewers are also validating the above facts. Moreover, the investors will also look to invest more in those organizations that will show much more influence towards sustainable finance. Organizations cannot survive in the longer term by only thinking about the profit needs of their stakeholders. They need to think about sustainability in all aspects. Many nations have moved towards sustainable finance to improve their response towards climate change, green economy and achieve transparency.

CONCLUSION

Based on the above discussion, it can be concluded that it is not the choice of organizations to move towards sustainable finance. It is mandatory for them to think about sustainable finance. From ESG's perspective, it will help them in environmental risk management, improving business relations, and improving financial transparency. It is important to know that financial sector performance is directly related to the performance of the economy of any country. Different nations

are facing the problem of global warming, and sustainable finance can help them in countering the problem of global warming. It will also improve the investment opportunities in the organizations as well as in the economy of the nations. The developing nations will get more foreign direct investments.

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