DOI: https://doi.org/10.53486/sstc.v2.09
CZU: 336.144:338

IMPACT OF SUSTAINABLE FINANCE AND ESG FACTORS ON THE PERFORMANCE OF ECONOMY

IMPACTUL SUSTENABILITĂȚII FINANCIARE ȘI A FACTORILOR DE MEDIU, SOCIALI ȘI DE GUVERNANȚĂ ASUPRA PERFORMANȚEI ECONOMICE

CIOBANU Daniela, studentă, Specialitatea: FB,
Academia de Studii Economice din Moldova
Republica Moldova, Chișinău, str. Bănulescu-Bodoni 61, www.ase.md
e-mail autor: ciobanu.daniela.pbc2@ase.md

Rezumat. *Sustenabilitatea financiară este o metodă actuală de a integra conceptul de dezvoltare durabilă și menținerea în echilibru a factorilor de mediu, sociali și de guvernanță, pentru protecția mediului înconjurător pe plan global. Instituțiile financiare au posibilitatea de a crea proiecte și evenimente, în baza cărora își pot propune dezvoltarea sustenabilității financiare. Printre acestea se pot regăsi: legi legate de adoptarea unui comportament responsabil față de mediul înconjurător; utilizarea tehnicilor de finanțare inovatoare, sponsorizări și donații pentru cauze ecologice care pot atrage scutiri de taxe; promovarea trecerii la o economie cu emisii scăzute de carbon, o productivitate mai bună și o mai mare eficiență în utilizarea resurselor în scopul unei economii durabile. Scopul acestei lucrări este de înțelege esența și importanța acestui subiect prin analiza rezultatelor mai performante în cazul implicarii economiei durabile. În urma cercetării s-a ajuns la rezultatul urmator: datorită legilor adoptate și utilizarea unor tehnivi inovative, economia durabilă are un effect pozitiv asupra performanței companiilor, asigurînd o situație mai stabilă în perioade de criză, mai mult ca atât, aceasta asigur o scădere a emisiei de dioxid de carbon și a îmbunătățirii mediului înconjurator.*

Cuvinte cheie: *sustenabilitate, finanțe, dezvoltare, investiții, resurse, economie.*

JEL CLASSIFICATION: G20, O10, Q01,Q56

INTRODUCTION

Protecting the standard of living, the variety of life on this planet, and the vitality of the planet's source of energy environments all depend on sustainability. Financial institutions play a crucial importance in increasing and supporting public understanding of issues linked to sustainability, whether through providing support to businesses that promote moral and sustainable workplace environment or by facilitating the creation of alternative energy sources. The objective of the research paper is to get acquainted with the topic of sustainable finance and economic, social and governance (ESG) factors by understanding how these mechanisms operate and how they affect the performance of the economy.

RESEARCH METHODS AND ANALYSIS OF BIBLIOGRAPHIC SOURCES

The following research techniques were applied to complete the research: descriptive, qualitative, observation and secondary data method. The information reflected in the research is based on the qualified sources in the field of finance, the data provided by the European Commission and the World Economic Forum, that contributed to shaping ideas on sustainable economies and ESG.

CONTENT

Sustainable finance: concept and features. In order to increase long-term involvement in sustainable growth projects and events, sustainable finance is the method of integrating

***ISBN** 978-9975-180-04-7, DOI: https://doi.org/10.53486/sstc.v2*

environmental, social, and governance (ESG) factors into account when taking investment choices in the financial sector. The goal is to generate economic development while avoiding pollution, lowering carbon dioxide emissions, and engaging in renewable energy sources that will hasten the shift to a carbon-neutral economy. Also, it gives investors greater transparency and responsibility for the businesses they are investing in, particularly those who have a strong emphasis on sustainable finance or who take ESG considerations into account when making investment choices. The financial sector plays a significant role in helping to achieve this goal. These attempts to support environmental finance and promote sustainable finance principles on a volunteer basis are growing at corporate, national, regional and international level.
All of these efforts are done through such innovative instruments as:

- green bonds (pollution control and prevention; recycling and eco-friendly product; waste reduction)
- transition bonds (efficient improvement of energy and resources; decreasing the emission of carbon)
- sustainable linked-loans and bonds (relying upon if the issuer meets sustainability or ESG metrics in a certain amount of time)
- a range of other products like: green credit cards, sustainable development bonds, renewable energy credits, climate bonds, renewable and sustainable equity, water conservation and infrastructure assets, green mutual funds, green equity funds, solar bonds, green exchange-traded funds, green mortgages, green asset-backed securities, etc.

To ensure the proper functioning of the system and the previously mentioned tools, there are fundamental providers of sustainable finance, such as:
International organizations: even if they only offer a small amount of cash, international organizations like the United Nations (U.N.), The Organization for Economic Cooperation and Development (O.E.C.D.), and Group of Twenty (G20) assist to organize financing options and establish the worldwide priority on sustainability concerns.

1. International financial institutions: looking for new products and implementations, for having better and faster returns. Using innovative financing techniques, such as:
   1.1 green bonds - a unique class of fixed-income security designed for generating capital for environmental and ecological programs.
   1.2 carbon trading - the trading and purchasing of credits that allow to release a specific quantity of carbon dioxide or even greenhouse gas emissions in the name of an organization or entity.
2. Financial institutions have approved the carbon trade in an effort to progressively lower the carbon pollution and lessen their effect on global warming. These products are regarded as innovative since they meet the most recent standards for sustainable finance and are seen as an extra source of sustainable funding.
3. Banks: the use of green bonds from money utilized in the green sector is a key role for them.
4. Corporations: the majority of funds for addressing climate change come from them, which invest in a variety of fields like infrastructure, sustainable or renewable energy and transportation.
5. Stock exchange: sustainable and environmentally friendly investments. One such venue for ecofriendly, social, and sustainable assets is the Luxembourg Green Exchange, which is a part of the Luxembourg Stock Exchange.
6. National governments: determining the amount of public funds designated for green investments and community support.

European Union (EU) plans on sustainable finance. Sustainable finance is regarded in the regulatory framework of the European Union (EU) as financial assistance for economic progress whilst lowering environmental constraints and having in to the consideration social

ISBN *978-9975-180-04-7,* *DOI: https://doi.org/10.53486/sstc.v2*

and governance factors. The European Union has been on the vanguard of attempts to create a financial system that encourages sustained development and firmly promotes the shift to a low-carbon, better productivity and more efficiency in use of resources, and sustainable economy. In order to accomplish their goals, EU has done and will continue to execute plans such as:

- European Green Deal (by 2050 to eliminate all emissions of greenhouse and create a climate-neutral continent, by 2030 to plant 3 billion supplementary trees, etc.).
- Circular Economy Action Plan (to make a norm the sustainable products).
- 2030 Climate Target Plan.
- Chemicals strategy for sustainability.
- Offshore renewable energy.
- REPowerEU plan: affordable, secure and sustainable energy for Europe.
- Action Plan of European Commission on Sustainability.

To accomplish the aims, the financial sector has a significant contribution. It can fund development in a sustainable way over long run, re-direct investments forward into higher environmentally friendly enterprises and technology, climate-resilient and help build a low-carbon economy. According to EU plans, the main actions and proposals are:

- Taxonomies. The creation of a system that encourages sustainable investment, the establishment of a taxonomy for actions that are ecologically, socially, and climate-smart.
- Benchmark. To encourage consumers in understanding the comparative carbon effect of their investments, the new change will establish a new type of benchmarks that will include minimal and favorable carbon effect benchmarks.
- Credit ratings. Sustainability issues are necessary to be taken into consideration when assessing credit ratings
- Disclosure and duties. It will be required to report how companies incorporate ESG elements into their risk management procedures and incorporate them as standards for integrating ESG aspects into investing choice activities as component of their obligations.

Impact of ESG and sustainable finance

Sustainable institutions provide investors with superior profits, but not only benefit society and the environment. Nowadays, investing in organizations with sustainability solutions is a great approach. According to the analysis done by BlackRock: “the largest asset management organization in the world discovered that more than 80% of sustainable investment funds performed better than share portfolios not based on ESG criteria during the peak of the COVID 19 epidemic in 2020. In 25 OECD nations over the past 40 years, ESG has also contributed to economic expansion by resulting in over 90% lower carbon dioxide emissions per unit GDP than those that had little or no application of ESG principles” [4]. Sustainable businesses are more likely to get revenue, use less materials to cut expenses, are subject towards less supervision, keep their quality workers, and don't lose capital on outdated carbon-intensive procedures.

In a study done by Journal of Sustainable Finance & Investment for asset management fidelity, it was discovered that: “50% of the ESG investments monitored their performance better than the market between 1970 and 2014. Majority percentage, in quantity of 48% recorded a positive performance, also 23% registered a neutral performance, 18% represented mixed performance and just 11% of participants had negative performance” [3] represented in figure 1:

ISBN *978-9975-180-04-7,* *DOI:* *https://doi.org/10.53486/sstc.v2*

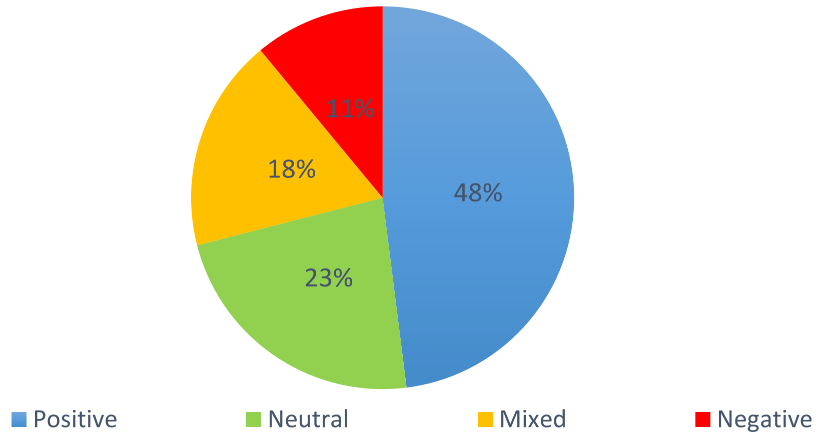

Figure 1. *Percentage of studies that find relationships between ESG and corporate financial performance. [3]*
Source*: Friede, Busch & Bassen (2015), Journal of Sustainable Finance & Investment; Fidelity International.*

As well as, sustainable financing is really expected to increase. "By 2025, ESG assets will represent more than a 1/3 from all global investments and have an overall profit that will surpass $53 trillion." [4]

CONCLUSIONS AND RECOMMENDATION

The research demonstrated that sustainable finance and ESG factors can increase the performance of the worldwide companies and manage better the crisis situations, such as COVID-19 and being a real way to improve the global warming problem. It is recommended the application of sustainable activities in every country and making others aware about how corporations are performing in relation to ESG concerns, in order to increase the productivity and efficiency of sustainability. These actions are essential, because sustainable finance is a crucial element in the transition from an economy that abuses the environment and society to one that has a regenerative, beneficial and effective impact. Also, the financial sector being the main tool for guiding innovative resources toward the sustainable world.

BIBLIOGRAPHY:

1. European Commission. EU plans for sustainble finance [online] [accessed 17.02.2023] available on: https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance_en#:~:text=Sustainable%20finance%20will%20help%20ensure,of%20the%20COVID%2D19%20pandemic
2. Ming Chun Tang. Fundamental providers of sustainable finance [online] [accessed 18.02.2023] available on: https://news.globallandscapesforum.org/40996/what-is-sustainable-finance/
3. Friede, Busch & Bassen. Journal of Sustainable Finance & Investment, 2015, page 210-233. [online] [accessed 15.02.2023] available on: https://www.tandfonline.com/doi/epdf/10.1080/20430795.2015.1118917?needAccess=true&role=button
4. Broom, Douglas. World Economic Forum. [online] [accessed 18.02.2023] available on: https://www.weforum.org/agenda/2022/01/what-is-sustainable-finance/#:~:text=Sustainable%20investing%20covers%20a%20range,more%20women%20on%20their%20boards.

Coordonator științific: VOSTRICOV Denis, dr., conf. univ.,
Academia de Studii Economice din Moldova
Republica Moldova, Chișinău, str. Bănulescu-Bodoni 61, www.ase.md
e-mail: vostricov.denis@ase.md