EDITORIAL

Sustainable Finance and Management

Challenges for Achieving Sustainable Finance & Management for Businesses

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Business and Sustainable Finance have taken a prominent place in the global political agenda in recent years. This is due to the alarming "turbulence" that the global economy is experiencing because of climate change, the Covid-19 pandemic, the Russia-Ukraine war, and the recent Israel-Palestine conflict.

These rapid changes have made companies and organizations increasingly aware of their responsibility to society regarding the utilization of resources and the environment to generate economic prosperity.

Sustainable financing has become a key concept in the global financial environment, transforming the way businesses and institutions conceive and act in relation to investment and capital distribution. This financing is nothing more than an approach that seeks to balance financial objectives with environmental, social, and governance considerations. This is a completely different approach from traditional finance, where profit maximization was the primary goal of every decision-making process. Currently, sustainable financing encompasses a perfect coordination between financial prosperity, social well-being, and environmental protection.

According to United Nations summit for the adoption of the post-2015 development agenda, 2015[2], the 17 Sustainable Development Goals seek to build on the Millennium Development Goals and complete what they did not achieve.

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2 UN (2015), Transforming our world: the 2030 Agenda for Sustainable Development. https://documents.un.org/doc/undoc/gen/n15/291/89/pdf/n1529189.pdf?token=NRVo7Uipe377TSp4gy&fe=true

“*They seek to realize the human rights of all and to achieve gender equality and the empowerment of all women and girls. They are integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environmental. The Goals and targets will stimulate action over the next 15 years in areas of critical importance for humanity and the planet*”.

The acronym ESG (Environmental, Social, and Governance) stands for environmental, social, and governance criteria and refers to the factors that make a company sustainable through its social, environmental, and good governance commitments, without neglecting financial aspects. ESG serves as a guiding framework for sustainable financing. ESG criteria are used to assess the performance of a company or entity in terms of sustainability and corporate responsibility. These criteria are used by investors, analysts, and other interested parties to assess a company’s impact on the environment, society, and its governance structure.

ESG determines how business should act to adapt and shape regulatory initiatives, transform supply chains, and work with innovative actors to understand how climate change will change business and finance in the future. Albania, as a developing country, is still in the early stages of finding ways and factors to implement ESG standards and explore their impact at different levels in the disciplines of management, accounting, and finance.

Given that the world is facing increasingly urgent challenges such as climate change, social inequality, and lack of transparency in business practices, the implementation of these criteria affects not only the environment in which we live but also has a direct impact on the profit and reputation of companies.

On the other hand, ESG criteria can encourage innovation and efficiency within companies. By adopting sustainable practices, companies can discover new ways to reduce costs, improve energy efficiency, optimize resource use, and strengthen their competitive position in the market.