

DOI:10.29013/ESR-25-11.12-33-36



THE IMPACT OF GREEN FINANCE ON BUSINESS SUSTAINABILITY

*Mzevinar Nozadze*¹, *Lali VardiSvili*¹, *Neli Sesadze*¹

¹ Georgian Technical University, Faculty of Business Technologies, Georgia

¹ Tbilisi International University, Faculty of Business Administration, Georgia

Cite: Nozadze M., VardiSvili L., Sesadze N. (2025). *The Impact of Green Finance on Business Sustainability*. *European Science Review 2025, No 11–12*. <https://doi.org/10.29013/ESR-25-11.12-33-36>

Abstract

Nowadays, green finance is a valuable instrument for achieving the long-term sustainability and competitiveness of a business. Green finance encompasses various types of financial instruments, such as: green loans, green bonds, and green investments. These financial instruments are used to finance business activities that offer environmental benefits. For small and medium-sized enterprises (SMEs) that are already adapting to climate change, the real value lies not only in the accessibility of green finance but also in the creation of sustainable business models that link to their financial viability and the achievement of environmental benefits. The purpose of this study is to determine the advantages and prospects of using green finance in the field of business sustainability

Keywords: *Green Finance, Green Loans, Green Bonds, Business Sustainability*

Introduction

Green Finance refers to a comprehensive suite of financial instruments and services specifically designed to support projects that generate positive environmental impacts and foster sustainable development. Among the most prevalent forms of green finance are: Green Bonds; Green Loans (including Green Mortgages); Green Investment Funds.

A fundamental component of green finance is the integration of ESG criteria (Environmental, Social, and Governance). This framework ensures that investors evaluate not only financial returns but also a company's environmental stewardship, social responsibility, and corporate governance transparency.

Research method

In the research process, we consider materials about Sustainable and Green finance published by Georgian and foreign scientists in local and international scientific journals, the results of research from international rating organizations, and statistical data. The study is based on the processing of secondary analytical materials derived from open sources. The methods of analysis and synthesis, deduction and induction are used as the research methodology.

Results analysis

When we use the term 'sustainable business' (or 'green business'), we generally refer

to businesses that prioritize not only profit in their operations but also uphold environmental and social responsibility. Green finance has become a highly topical issue globally in recent decades. It is linked to the goals of the Paris Climate Agreement (reducing greenhouse gas emissions in the atmosphere), as well as the UN Sustainable Development Goals (SDGs). For financing to be considered “green”, the project must meet certain criteria. The concept of sustainable finance has evolved as part of the broader notion of business sustainability over the last decades (Dirk Schoenmaker, 2019).

These criteria contribute to guaranteeing that the investment is truly allocated to fund environmental initiatives. By implementing a social standard, a company publicly declares its commitment to environmental protection, minimizes harmful impacts on the environment, ensures the creation of a safe environment for future generations and promotes sustainable development (Mzevinar Nozadze, 2025).

Green finance and sustainable business create a synergy, where businesses integrate environmental, social, and governance (ESG) principles into their long-term perspective. The evolution of business social responsibility reflects the relationship between the success of business entities and social benefits, which leads to an integrated approach to the field of business social responsibility (Mzevinar Nozadze T. B., 2024). While green finance provides investments through innovative financial instruments (green bonds and green loans) for projects that reduce harmful environmental impact.

This was a truly unprecedented event in the history of financial markets, which to a certain extent contributed to the spread of the mentioned financial instrument and the growth of its popularity (Rusudan Kutateladze, 2025). Furthermore, business sustainability requires specific investments, the financing of which is only possible through the joint participation of the public and private sectors.

To increase the scale of green finance, significant government intervention is required, which involves defining norms, rules, and strategies for the creators of green financial instruments. Business entities must clearly understand which financial products,

activities, or technologies can be classified as green. In the process of issuing and circulating green bonds, companies take into account the Green Bond Principles, developed by the International Capital Markets Association (Nino Makatsaria, 2025).

Among the wide range of green finance instruments (loans, credits, emission permits, green procurement mechanisms, etc.), the fastest growth has been observed in the field of green bonds. The cumulative amount of green, social, sustainability, sustainability-linked, and transition (labeled sustainable) bonds issued in the market. Green bond issuances represented the largest share of the labeled sustainable bond market, representing 53.2% of the overall issuances in Q1 2025, with a significant rise in sustainability issuances (Labeled Sustainable Bonds).

“Green Projects should provide clear environmental benefits, which will be assessed and, where feasible, quantified by the issuer” (Green Bond Principles, June 2025). The financing of environmental concerns, such as: the mitigation of greenhouse gas emissions, the management of natural resources, the protection of biodiversity, and energy efficiency, falls into the category of “green finance” and is encompassed by the “environmental finance” umbrella, which allocates funds for financing projects and initiatives designated with a green label. What impact does green finance have on business sustainability?

Green finance not only ensures the creation of safe environmental conditions for future generations but also allows businesses to gain the following advantages:

– **Attracting Investments.** Investors are increasingly interested in “green” projects. Companies that demonstrate a commitment to sustainable development become more attractive for investment.

– **Access to Concessional Financing.** “Green” loans, bonds, and other instruments are often offered under more favorable terms compared to traditional ones. This financial assistance, in the form of subsidies, stimulates the development of the recycling industry and promotes the more efficient use of resources.

– **Improving the Company’s Image.** The involvement of a business in green projects positively affects the company’s im-

age, increases the loyalty of customers and employees, and strengthens its reputation as a socially responsible business.

– **Gaining a Competitive Advantage.** Consumers are increasingly choosing environmentally friendly products and services. Companies implementing green technologies gain a competitive advantage and strengthen their reputation.

Currently, business entities, including small and medium-sized enterprises (SMEs), corporations, and commercial banks, are actively adopting and implementing the globally recognized ESG principles. One prominent example of successful green financing is the Spanish utility company Iberdrola, which is a world leader in issuing green bonds to finance significant investments in renewable energy projects. Iberdrola has issued €1 billion in green hybrid bonds, becoming the first company to align this class of instrument with the European Union Green Bond Standard (EUGBS). The issuance, eight times oversubscribed with over €8 billion in demand, drew participation from more than 400 institutional investors globally (Iberdrola Raises €1B in First EU Green Hybrid Bond After Strong Investor Demand).

Regarding green finance and its impact on business sustainability, we can state that this type of financing and its financial instruments are gradually gaining more popularity in developing countries, including Georgia. In a country, especially in a developing country, it is quite difficult, long and time-consuming way to form and develop the business environment (Mzevinar Nozadze N. C., April 2024).

The Sustainable Finance Taxonomy was developed by the National Bank of Georgia in collaboration with local and international experts and stakeholders. Taxonomy categories and corresponding technical criteria are developed in accordance with the best international practice, while the characteristics

of the Georgian economy are also well-integrated. Nevertheless, the universally adopted definitions and sustainable development reporting frameworks exhibit cross-country variations, and efforts are being made toward their gradual harmonization.

In the practice of some countries, the issuers of “green” bonds have a greater guarantee of receiving benefits, in which the support and financial benefits provided to them by the state play a big role (Mzevinar Nozadze N. S., 2025). Georgia’s economic policy aims to support the private sector, particularly small and medium-sized enterprises (SMEs), and to create a favorable business environment (Tea Kasradze).

Georgian businesses have access to green finance to assist investments in resource efficiency, energy and green supply chains. Only in 2024, \$300 millionworth of green bonds were issued by a Georgian companies (Green Finance Landscape in Georgia and Regional Best Practices, December, 2024). However, credit lines provided by international financial institutions (IFIs) and disbursed through local banks are the primary source of longterm funding for green developments in Georgia.

Conclusion

Access to green finance stimulates the development and implementation of innovative solutions that can become a source of competitive advantage and facilitate business growth.

The integration of the ESG approach into business sustainability requires the transformation of a company’s business model by incorporating sustainable development goals and utilizing relevant instruments, including green finance tools.

It is crucial to increase the accessibility of green finance for entities involved in business, as this represents a prerequisite for ensuring the sustainability of the economy and society as a whole.

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submitted 09.12.2025;

accepted for publication 23.12.2025;

published 30.12.2025

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Contact: nozadzemzevinar11@gtu.ge