

STRENGTHENING BUSINESS FOUNDATIONS: FINANCIAL STRATEGIES FOR SUSTAINABILITY

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Abstract

In the realm of business, financial strategy is essential to enhancing the sustainability and performance of an enterprise. It entails prudent money management to accomplish long-term objectives while preserving financial stability. In order to successfully apply this method, there are a few important concepts to comprehend. The importance of finance in business cannot be ignored. It provides a clear understanding of a company's cash flow, expenses, and revenues, and helps identify the financial resources needed to operate and grow. By understanding a company's financial health, business owners can make smarter decisions in allocating funds for investment, product development, or market expansion. The research was carried out using the literature study method. A literature review is used to collect data and information related to financial strategies for business sustainability. This research discusses the definition, components, benefits and sustainability of business, financial risk management in the context of sustainability, financial innovation for sustainability, the relationship between sustainability investment and financial performance, and financial strategies for business sustainability

Keywords: Business strategy, financial strategy, business sustainability

INTRODUCTION

The high level of competition in the global market today forces companies to make maximum efforts in managing their finances in order to survive and develop. Companies that are able to manage their finances well are more competitive than companies that are not able to manage their finances

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well. Poor financial management can have a negative impact on a company's financial performance. This can be seen from a decrease in net profit, an increase in production costs, or even bankruptcy. Bansal & DesJardine (2014) stated that effective and efficient financial management helps companies to make the right strategic decisions. This will allow the company to allocate resources better and minimize any financial risks that may arise.

One of the main benefits of using sustainable finance is its ability to create long-term value for companies (Renk, 2020). By adopting sustainable investment strategies, companies can reduce risk, increase operational efficiency, and strengthen their reputation with consumers and other stakeholders. Additionally, an emphasis on transparency in sustainable financial reporting can help strengthen investor confidence and improve companies' access to sustainable capital.

However, to implement sustainable finance effectively, companies must prioritize the integration of environmental, social and corporate governance aspects into their overall business value. This involves increasing awareness about the impact of company activities on the environment and surrounding communities. Therefore, companies need to adopt policies that focus on reducing carbon footprints, efficient waste management, and protecting human rights and social justice.

Additionally, it is important for companies to ensure that their financial management incorporates environmental and social risk considerations in their investment analysis. By considering risks related to climate change, legal uncertainty, and other social issues, companies can reduce possible negative impacts that could affect their financial performance. In addition, adopting sustainable financial practices can also help companies meet increasingly stringent regulatory requirements regarding environmental and social issues (Carney, 2019).

The company's financial management strategy is very important to improve the company's financial results. A company with a good financial management strategy can ensure the company's survival and increase company profits on an ongoing basis. Financial management in business is a vital foundation for the continuity and growth of the company. It involves managing and allocating funds efficiently to achieve short-term and long-term business goals. Appropriate financial management strategies not only help improve company performance, but also maintain operational sustainability. The importance of finance in business cannot be ignored. It provides a clear understanding of a company's cash flow, expenses, and revenues, and helps

identify the financial resources needed to operate and grow. By understanding a company's financial health, business owners can make smarter decisions in allocating funds for investment, product development, or market expansion.

Careful budget preparation is one of the key tactics in firm financial management. Companies can control costs, avoid waste, and improve the efficiency of spending cash by developing a realistic budget. In addition, financial risk management is crucial for shielding the business from unforeseen circumstances and market swings that could impair cash flow.

A company's financial performance must be continuously observed and assessed as part of effective financial management. This enables the identification of areas in which enhancements are required and the implementation of suitable measures to augment the overall financial performance. Businesses may expand and develop sustainably, as well as survive in a competitive market, by putting good financial management techniques into practice. For the business to succeed in the long run, this is a crucial step (Aizada et al., 2023).

A key tactic is effective cash flow management. To prevent liquidity issues, businesses must make sure that revenue exceeds expenses. Realistic income and expenditure projections as well as effective bill and receivables management can help achieve this. Investing diversity is crucial in addition to that. Businesses can lower their risk of losing all of their investment if one of the assets decreases in value by spreading their money over a variety of financial instruments, including bonds, shares, and real estate. Another crucial component of effective financial management is cost control. Companies must regularly assess their costs and seek for methods to cut costs without compromising on product quality or operational effectiveness (Akhtar et al, 2018).

Furthermore, having a well-defined long-term financial plan is crucial. This entails establishing long-term financial objectives and coming up with plans to meet them, such as debt repayment, investments in the creation of new products, or company growth. Finally, while making financial decisions, it's critical to take the environment and society into account. Long-term reputation building and increased social and environmental support are two benefits that businesses that practice social and environmental responsibility tend to enjoy.

Businesses can increase their competitiveness in the market, preserve operational sustainability, and improve their financial performance by putting these methods into practice.

RESEARCH METHOD

This paper was written using a literature review methodology. The act of gathering, evaluating, and assembling data from dependable sources that is pertinent to the subject under discussion is known as a literature review. In this instance, data and information about bolstering corporate tactics are gathered through a literature review.

The author searches reliable resources for information on financial solutions for business sustainability, including scholarly journals, reference books, and websites. The chosen sources are those with the authority to discuss financial tactics for long-term company viability. Following the gathering of pertinent sources, facts and information are methodically examined in these sources.

RESULT AND DISCUSSION

Business Sustainability Concept

Profits are the foundation of any firm, benefiting the owner, staff, and customers. On the other hand, sustainable business is a term that is also used in the business sector. One of the objectives that needs to be met is sustainable business (Rezaee, 2016). This is due to the fact that the essence of a business benefits not just the organization but also everyone in its immediate vicinity, including employees and customers. Still, one can expect a sustainable business to contribute to society and the environment.

Numerous businesses worldwide have used the term "sustainable business." In short, all business players want their companies to be profitable and sustainable for a long time. Many even hope that their companies will be able to grow and thrive in the face of fierce competition. The management of a sustainable firm then brings this anticipation to pass. A sustainable business is one that consistently or sustainably generates benefits over the long and short terms. According to Dyllick and Muff (2016), a sustainable business is one that can consistently incorporate social, legal, behavioral, and environmental values into its business plan.

The term "sustainable business" originates from the English language and is composed of two words: "business" (meaning "business") and "sustainable," which means "sustainable." Thus, a sustainable business is, in essence, a sustainable business. Another way to look at it is that a sustainable business is one that benefits from both short- and long-term operations and is inherently sustainable, as opposed to only occurring sometimes (Lankoski, 2016).

If a company can meet its objectives, grow in value over an extended length of time, and consistently hold onto its successes, then it is considered sustainable. Sustainable company prioritizes both maximizing profitability and ecologically responsible business practices. People, profit, and planet (earth) are the three points Müller, A. L., & Pflieger, R. (2014) use as a reference for sustainable business.

Environmental concerns are frequently associated with the concept of sustainable business. Many people believe that a firm that is sustainable is one that can protect the environment. Though it is a primary concern, environmental factors are not the only thing that sustainable business addresses. Running a sustainable business also involves taking into account a number of other factors, including legal, economic, social, cultural, and many more. In the interim, the following are the advantages of sustainable business:

1. Increase Efficiency

Basically, maintaining business continuity is the aim of sustainable business. Increasing efficiency in a number of areas is one method to make this happen. Businesses that operate efficiently can save a lot of money by cutting back on wasteful spending and lessening their adverse effects on the environment. It follows that efficiency is among the traits frequently observed in businesses that apply sustainable business practices.

2. Increase profits

Many people believe that sustainable business practices are costly. The costs involved in achieving sustainability are undoubtedly high. So how can a sustainable company boost its earnings? In essence, developing a positive reputation and implementing sustainable business practises are the same. This reputation will foster sympathy and perhaps popular trust. Businesses will also be encouraged to search for ecologically friendly substitute raw materials while implementing sustainable business practices. In general, these materials are repeatable and sustainable. In terms of business, this is undoubtedly more advantageous in the long run.

3. Maintain environmental sustainability

It is impossible for a firm to operate in a devastated environment. Enterprises need to safeguard the environment in order to stay in business. Indirectly, sustainable business practices encourage organizations to undertake numerous initiatives that can sustain operations over time, like implementing new technology, improved processes, or trash recycling (Meza-Ruiz et al, 2017)

Financial Strategy for Sustainability

Risk management is a solid foundation for business sustainability. This process begins with careful action in identifying potential risks that may have an impact on company performance. At this initial stage, companies are required to have a thorough understanding of risks involving various aspects, ranging from financial dimensions to reputation (Wysokińska-Senkus, A, 2019)

As a proactive step, professionals in the business world can seriously consider obtaining CFRM (Certified Financial Risk Management) certification. This certification is not only evidence of a commitment to professional excellence, but also provides a foundation of in-depth knowledge of best practices in effectively managing financial risk. With the understanding gained through CFRM, professionals are prepared to face and overcome complex challenges that may arise in a dynamic business environment.

Apart from overcoming risks that can be identified, risk management also requires the existence of a backup strategy or contingency plan to deal with risks that cannot be completely avoided. This is a must. In these situations, CFRM professionals have an advantage because they can bring a detailed and informed perspective on how financial risks can be anticipated and dealt with effectively. Using knowledge from CFRM certification in the development of risk management strategies not only provides further protection against potential risks, but also creates a more solid foundation for business sustainability (Reshad et al, 2023).

Overall, risk management is a proactive approach that not only identifies risks, but also details strategic steps to manage them wisely. From risk identification to impact measurement, development of action plans, and continuous evaluation, risk management is a strong foundation for business sustainability (Folqué et al, 2021).

Financial innovation involves the development and introduction of new products as well as improvements to existing products to meet evolving market needs. Digital technology has played a crucial role in driving this innovation. App-based financial services, blockchain technology and artificial intelligence have revolutionized the way we manage money and invest (Xu et al, 2021). Inclusive finance aims to provide wider and more affordable access to financial services for communities previously marginalized from the banking and financial system. Financial product innovation has played an important role in achieving this goal. Through digital banking services and payment technology, people who were previously difficult to reach by conventional financial institutions can now access accounts, transfer funds and make payments easily.

The impact of financial product innovation is not only on access to services, but also on overall economic growth. Easier and more affordable access to financial services encourages people to make better financial decisions. Individuals can manage savings, take advantage of investment opportunities, and participate in economic activities more effectively. Although financial product innovation has had a positive impact, there are challenges that need to be overcome. Data security and consumer protection are key issues in this digital era. Apart from that, aspects of financial and technological literacy also need to be considered so that people can utilize this innovation wisely (Huan, Y., & Qamruzzaman, M, 2022).

As a concrete example, the development of peer-to-peer lending fintech platforms has helped micro and small businesses (MSMEs) to gain access to financing that was previously difficult to obtain from traditional financial institutions. This contributes to more inclusive microeconomic growth and economic empowerment. Financial product innovation has opened up new opportunities for access to financial services and stimulated inclusive economic growth. Although challenges still exist, the potential positive impact generated by this innovation is quite large. By taking wise steps to overcome challenges and exploit existing opportunities, we can embrace a more inclusive and sustainable financial future.

In recent years, ESG has become the investment approach and product with the fastest global growth. ESG investing has a long history and started out as investments that just took ethical factors into account, including staying away from stocks of tobacco or alcohol industries. After then, during the past ten to fifteen years, it has evolved to embrace a variety of sustainability-related elements and given rise to a number of innovations in the capital market (Karlilar et al, 2023).

Aside from obvious financial considerations, sustainable investing essentially refers to investments that take corporate governance, social and environmental concerns into account. Thus, the term "ESG" (environment, social, and governance) investment is becoming more commonly used to refer to sustainable investing, particularly in the context of the capital market.

Environmental factors (E) include things like pollution, waste management, biodiversity, energy conservation, carbon emission management, and so on. Social considerations (S) include things like promoting gender equality, empowering and involving the community, treating employees fairly, upholding the confidentiality and integrity of customers, etc. Meanwhile, the independence of the board of commissioners and directors,

equitable and transparent management compensation, and other governance factors can be used to evaluate organizations in terms of governance (G) (Jeong et al, 2020).

Investors first believed that the costs of ESG were excessive and that its benefits were not that significant. Nonetheless, investors now tend to take environmental, social, and governance (ESG) concerns into account when evaluating a company's performance. Numerous empirical studies demonstrate that high-value organizations typically exhibit strong ESG performance. This indicates that there is a positive correlation between investment returns and business profitability and ESG. Furthermore, evaluating an organization's environmental performance significantly raises the worth of the company. As a result, businesses that prioritize ESG/SRI (Sustainable and Responsible Investment) may eventually see sustained growth and increased investment returns (Albert, 2019).

In light of this, a number of initiatives are required to satisfy demands and enhance business performance via the planned, quantifiable, and long-term application of Environmental, Social, and Governance (ESG). The correlation between ESG performance and company performance is demonstrated in a number of articles. when a company's performance is positively impacted by its ESG performance. The effect of ESG performance on the likelihood of price crashes was examined by Yu et al. in 2023. These researchers demonstrate that the danger of a price crash is significantly impacted negatively by ESG performance, as demonstrated by the ESG News sentiment index. Additional data shows that the public's perception of ESG news significantly influences the likelihood of sharp declines in share prices in businesses with little analyst coverage, information transparency, voluntary ESG information sharing, and non-government held businesses.

In the meantime, panel data from the Dow Jones Sustainability Index (DJSI) covering the top 73 non-financial European Union corporations across 13 nations from 2016 to 2022 was used by Fayyaz et al. (2023). They examine how ESG functions as a mediating factor in the impact of the Diverse Board on business performance. They found that implementing ESG interventions improved the financial performance of the business.

Research on the effects of ESG practices in Korean public firms on credit risk and credit ratings was done by Park et al. in 2023. They specifically looked into whether credit risk, as determined by stock price data, and credit rating, as determined by credit rating agencies, will be impacted by ESG performance. The environmental, social, and governance aspects make up the three

components of the ESG rating. Their findings showed that corporate ESG performance was strongly correlated with the likelihood of a company defaulting and with its credit rating.

Sehgal et al.'s (2023) study focused on disclosure and compliance methods to examine how sustainability reporting affects a company's reputation. The foundation of compliance systems is a normative viewpoint, wherein businesses adhere to pertinent industry norms and principles. In the meantime, the corporation controls the disclosure process, meaning it can manipulate its disclosures to further its financial objectives or to preserve stakeholder interests. According to the study's findings, a company's reputation is positively impacted by sustainability reporting over the long run but not in the short run; in other words, compliance measures are only useful in the long run. In addition, sustainability reporting only temporarily mitigates the beneficial impact of sustainability performance on a company's reputation. Sustainability reports don't matter in the long run. This indicates even more how ineffective the disclosure mechanism is in the short run. The business might eventually pay a price for its subpar performance. These findings will aid managers in comprehending the potential strategic role that sustainability reporting may play as well as the ways in which environmental and social reporting can be leveraged to increase a company's legitimacy and reputation while also increasing its revenues.

Financial Strategy for Business Sustainability

Sustainable strategies in finance focus on sustainable business. However, business sustainability does not only focus on the sustainability of the raw materials needed to produce the products to be sold. There are other aspects that are no less important to pay attention to so that the business remains sustainable according to Ukko, J., Nasiri, M., Saunila, M., & Rantala, T. (2019), namely:

1. Economic Aspect

All businesses boil down to the same thing, namely profit. Business is an embodiment of the economic aspect, which is closely related to income generation and financial management. In relation to sustainable financing, the economic aspect includes two factors, namely business growth and equator capital. A business without financial strength will find it difficult to grow and develop. However, non-financial factors cannot be ignored. Product quality and corporate governance also have an important role in the business growth process. Product quality clearly refers to the values

contained in the product itself, including taste, durability, raw materials and packaging. Meanwhile, governance refers to the company's internal management starting from organizational structure, company regulations, to financial records.

2. Environmental Aspects

Environmental aspects in the context of financial sustainability strategies clearly refer to nature conservation. Everyone has the right to utilize everything that exists and grows on this earth. This is not wrong, but it needs to be emphasized that using is not the same as destroying.

3. Social Aspect

The social aspect refers to the benefits of business to the surrounding community. This means that there are parties who receive benefits from the existence of the business. For example, business actors whose businesses have grown and become large have launched a program to empower young people in rural areas to plant trees for reforestation. This principle of social benefit does not only cover external parties, but also internal parties of the company or business organization, such as employees. This form of financial sustainability from a social perspective can be realized with a family-based work system that provides comfort to employees. Not only that, business people can also improve employee competence and skills by providing regular training. In this way, employees are able to develop themselves, which is expected to have an impact on increasing performance and productivity. Benefits from business can also be obtained from the products produced and sold to the market. Products with environmentally friendly raw materials will certainly provide benefits to consumers. For example, gluten-free bread products will be beneficial for consumers because they are nutritious and healthy.

4. Corporate Governance Aspects

No matter how small the scale of the business being run, if it is well managed it will be easier to run and achieve goals. This business management is a reference for the governance aspect in a financial sustainability strategy.

Policy Implications

The policy implications of this research can be used to increase insight for business people regarding the concept of financial strategy for business sustainability so that it can be used as consideration or input in strengthening business strategies. Information for companies regarding business strategy as

material for consideration in managing and improving company sustainability, for stakeholders as material for consideration in investing in a company, so that it can be used as material for consideration in making policies related to the business sustainability of a business.

CONCLUSION

In the realm of business, financial strategy is essential to enhancing the sustainability and performance of an enterprise. It entails prudent money management to accomplish long-term objectives while preserving financial stability. In order to successfully apply this method, there are a few important concepts to comprehend.

First and foremost, careful financial preparation is crucial. To foresee risks and possibilities, this entails monitoring cash flow, making budgets, and performing financial forecasting. Businesses are able to make decisions more quickly and efficiently when they prepare ahead.

Second, cost control is an important aspect of financial strategy. Businesses need to monitor their expenses closely and look for ways to reduce unnecessary costs without sacrificing product or service quality.

Furthermore, it's important to remember to control risks. Companies need to recognize potential financial risks and create plans to mitigate them. This could involve insurance, emergency money reserves, and diversification of investments. Maintaining a balanced capital structure is also crucial. This entails striking a balance between loans and own capital. While taking on too little debt can impede a company's capacity to expand, taking on too much debt can raise financial risk.

In implementing financial strategies, good communication between the finance department and other departments is also very important. All parts of the company must work together to achieve common financial goals. Businesses can enhance their performance, sustain long-term viability, and preserve financial stability by putting the appropriate financial measures into place. This is the reason that for a firm to be sustainable, it is crucial to comprehend and implement these ideas.

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