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“Fostering Sustainability:
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Cleaner Production,
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Financing Green Innovations: An Exploratory Reflection on Corporate Strategies

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Abstract

This summary presents the first steps of an investigation into increasing the financing of innovations that can improve a company's Environmental, Social, and Governance (ESG) standards.

Innovations can leverage ESG by reducing environmental pollution (Abid et al., 2022). Several sorts of innovation are presented in the literature. Green process innovations improve the firms' environmental performance (Xie et al., 2022), while green technology innovations reduce CO₂ emissions indirectly through industrial structure upgrading (Lin & Ma, 2022) or present a positive impact on energy efficiency (M. Chen et al., 2021).

The ESG may also reflect positively on financial performances in the medium and long term (Sachin & Rajesh, 2022) or contribute to a positive stakeholder view of business (Chiaramonte et al., 2022). A better environmental performance positively affects returns on assets and equity (Bassetti et al., 2021), while GI strategy positively impacts brand value in automotive firms (W. L. Lin et al., 2021). GI also improves the reputation of coastal enterprises, state-owned enterprises, large-scale enterprises, and old enterprises (Z. Chen et al., 2023).

Better alignment between environmental and business gains can leverage ESG. This win-win option can also help build a better future for new generations.

Innovations are based on new solutions that may benefit companies and the environment. Previous findings indicate that technological innovations promote green growth (K.-H. Wang et al., 2021). New operating processes or eco-friendly products can enhance the company's environmental performance (Ch'ng et al., 2021). Industrial robots promote green technology innovations (Lee et al., 2022). The digital transformation in manufacturing, non-high-tech, and non-heavy polluting industries has a more robust green total factor productivity improvement effect (J. Wang et al., 2023).

Financial resources are critical factor in implementing sustainable-oriented innovation practices (Khurana et al., 2021). Green finance can contribute to green innovation (Irfan et al., 2022) and raise green productivity (Jiakui et al., 2023). Several financing options and their benefits are presented in the literature. Digital finance can narrow the income gap between regions and promote the convergence of green technology innovation capacity, alleviating environmental inequality (Li et al., 2022). It can also facilitate green-biased technological innovation and increase the scale of green credit effectiveness, thereby reducing the ecological footprint (Feng et al., 2022). Green credit guidelines can affect enterprises' green production efficiency through the financing scale effect and financing cost effect (Lv et al., 2023). Green credit policy can improve the overall and incremental GI but impede the radical GI of highly polluting enterprises. Local governments' environmental investment mitigates the policy's negative impact on radical innovation and facilitates the

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positive effects (Y. Zhang et al., 2022).

Financing the development of new solutions may be expensive and risky. Beyond that, green product innovation positively affects profitability in the longer term but negatively when a new product is introduced (Holzner & Wagner, 2022). Green investments could mitigate these problems by alleviating corporate financing constraints and reducing corporate agency costs (X. Zhang et al., 2023).

Stakeholder pressure influences a firm's innovative performance (Singh et al., 2022). Shareholders with intrinsic environmental values played pivotal roles in a proactive move to carbon neutrality when there was limited regulatory pressure. The early movers believed in the long-term economic benefits of transitioning to carbon neutrality (A. Zhang et al., 2023). So, sustainable bonds may constitute an exciting option for capturing resources to finance the GI. A Moody's report indicates that the issuance of such bonds can hit \$950 Billion in 2023 (Pashankar, 2024).

However, some barriers seem to hinder the investments in GI. It is a risky financing investment (Bhutta et al., 2022). Risk-taking negatively affects green technology performance and green-biased technological progress (Yan et al., 2021). Investors seem to be the most doubtful concerning sustainable innovations (Kahupi et al., 2021).

Institutional sponsorship is crucial to promoting environment-friendly projects and getting finances in such a context. The countries focusing on funding climate-friendly projects enforce businesses to invest in environment-friendly projects and provide a platform for companies to get finances for such tasks. Some studies show that firms received positive reactions from investors, demonstrated by more investor confidence and getting finances at lower rates (Bhutta et al., 2022).

In sum, The GI can boost companies' engagement with ESG. Innovations require the development of new solutions, a development that faces barriers such as cost and risks. Various forms of financing can mitigate this barrier. Mitigating these barriers can simultaneously improve environmental performance (Xie et al., 2022) and business performance (Chiaramonte et al., 2022; Sachin & Rajesh, 2022).

During the workshop, we intend to improve the focus of our study and gather information for the rest of the research.

Keywords: green innovation, ESG, green investments, taxes, maximum of five.

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