



The Impact of Sustainable Financing on the Return on Equity of Companies

António Rodrigues

ISG - Business & Economics School, Lisboa, Portugal

Abstract

In the business view, sustainable finance understood as the integration of environmental, social and government (ESG) factors aims to achieve corporate sustainability by integrating sustainable practices. The importance and contribution of this type of financing to achieving the United Nations sustainable development goals is recognized. However, there are no studies that analyze the impact of this type of financing on the profitability of companies. It is in this context that the motivation for this work arises, whose main objective is to study the impact of sustainable financing on the return on equity of companies. To achieve the objective, regressions and secondary data extracted from the reports and accounts of the seventeen largest European companies belonging to the Corporate Forum on Sustainable Finance will be used. With this study, it is expected to obtain an answer to the initial research question “what is the impact of sustainable financing on the return on equity of companies?” and also to analyze whether the characteristics of the business represent a differentiating factor in the return on equity. This investigation, in addition to expanding the literature, will allow, through the results of the regressions used, to shed light on the implications of sustainable financing in terms of the cost of borrowed capital and the business characteristics of the largest European companies in the return on equity.

Keywords : Corporate Forum on Sustainable Finance, Environmental, Social and Government (ESG), The United Nations Sustainable Development Goals.