Impact of Sustainable Finance on Employee Well-Being

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Abstract

The concept of sustainable finance has drawn noteworthy attention in the recent past, primarily because it has influenced many organizational outcomes, including employee well-being. This study looks into how employee well-being in service-oriented enterprises is impacted by sustainable finance. The primary objective of the research is to investigate the relationship between enhanced psychological well-being and employee satisfaction and the adoption of sustainable financial measures. A quantitative research methodology combined with a structured survey was used to collect data from approximately 120 respondents who were employed by service-oriented organizations. The questionnaire contained validated metrics for assessing components of worker well-being like general well-being and job satisfaction. In order to ensure that the various service sub-sectors were adequately represented, purposeful sampling was employed during the sampling procedure. Two statistical methods that were applied to the data analysis process to identify meaningful associations between sustainable financial practices and measures of employee well-being were regression analysis and correlation testing. The findings offer important new insights into long-term financial strategies that support motivated and effective employees. This study emphasizes the possible advantages of incorporating sustainability into financial decision-making processes, which form organizational policies. Finally, this study contributes to the discussion of sustainable business practices and their impact on human resource management.

Keywords: Organizational sustainability, employee well-being, service sector, and sustainable finance.

Introduction

Social, environmental, and economic considerations have recently been included to the definition of corporate responsibility. An essential part of this larger sustainability movement is sustainable finance, which integrates environmental, social, and governance (ESG) considerations into financial decision-making. This research provides context for how sustainable finance may effect broader organizational outcomes, such employee well-being, by demonstrating the significance of ESG elements in financial decision-making and their impact on corporate profitability (Fatemi & Kaiser, 2018). There is a growing interest in learning how sustainable financial practices affect different organizational outcomes, especially employee well-being, as more and more businesses use them. Employee wellbeing is critical to maintaining high levels of productivity and job satisfaction in the service sector, where human capital is a valuable resource.

The purpose of this study is to look into how employee well-being and sustainable financing relate to Pakistan's service sector. Friede et al. (2015) looked at a meta-analysis. They were in favor of integrating sustainability into the financial sector and acknowledged the possible benefits to both corporate success and worker pleasure. The relationship between ESG standards and financial success was also covered. In order to support long-term sustainability goals in addition to financial incentives, sustainable finance refers to taking ESG aspects into account while making financial decisions. By taking into account both conventional financial considerations and the effects on society and the environment, the notion offers a more comprehensive approach to financial management. Employee well-being is comprised of three main elements: psychological well-being, stress levels, and job satisfaction (De Neve et al., 2013). The degree to which employees feel fulfilled and content with their job duties and workplace is the definition of contentment with work for the purposes of this study. While stress levels are correlated with the amount of pressure and anxiety people face in their professional lives, work-life balance is defined as the ability to reconcile work-related tasks with other commitments without suffering considerable conflict or tension. Understanding these elements is essential to appreciating the possible effects that sustainable financial practices may have on the general well-being of employees. The field of sustainable finance has grown significantly in the last few years, and ***numerous studies have examined*** the ways in which it influences various organizational outcomes.

Numerous benefits of sustainable finance have been highlighted in international research, including better business reputation, increased financial performance, and improved stakeholder interactions. Eccles, Ioannou, and Serafeim (2014), for instance, found that firms with strong sustainability protocols outperformed their peers in the long run in the stock market and accounting similarly, across several industries and geographical areas, Friede et al. (2015) discovered a positive association between the financial success of businesses and ESG guidelines. However, there is a dearth of information regarding how sustainable finance affects workers' well-being. Sustainable company strategies have been shown to increase job satisfaction and staff engagement (Glavas, 2016; Kim et al., 2017). This research indicates that when a company prioritizes sustainability, it has a good effect on employees' well-being because it strengthens their sense of purpose and aligns with their views. Glavas (2016). Examine how sustainable company strategies improve work satisfaction and staff engagement. This will lay the groundwork for understanding the potential effects of sustainable financing on worker well-being.

Particularly for emerging countries like Pakistan, more indigenous research is required. The relationship between sustainable finance and worker well-being has not been extensively studied in Pakistan. Sustainable financial practices may also enhance worker well-being by increasing job satisfaction and engagement levels, according to this study, which looks at the positive effects of corporate social responsibility (CSR) on employee attitudes. A study was conducted by Khan and Ghouri (2018) to look into the wider effects of corporate social responsibility (CSR) in Pakistan. They found that employee happiness and morale were raised by CSR initiatives. Research on the connection between sustainable financial practices and employee well-being in Pakistan is one of the major gaps in the literature. Khan and Khan (2018) carried out an additional study. In the context of developing countries, they examine the effects of CSR initiatives on worker satisfaction and morale in Pakistan, emphasizing the importance of sustainable practices for workers' well-being. Imasiku (2021) gives a summary of the advantages of sustainable funding; nevertheless, more data is required to determine how it affects worker well-being, especially in developing nations. Prior studies have largely concentrated on environmental and financial success, paying little attention to social goals like worker well-being. It is also expected to ignore the particular dynamics of developing nations, whose socioeconomic and cultural features diverge significantly from those of developed nations. This disparity is especially noticeable in Pakistan, where there is very little research and the field is still developing when it comes to examining how sustainable funding affects worker well-being.

The theoretical framework of this study is based on the fundamental concept of social interactions. According to this perspective, adopting sustainable finance is one of the beneficial organizational practices that benefit both the company and its employees. Positive employee reviews from businesses that prioritize sustainability are probably going to lead to happier employees, less stress, and a better work-life balance. According to this collaborative link, a positive and healthy work atmosphere can be established through sustainable financial practices. According to the social exchange theory, when an employer treats their staff well, those staff members will return the favor by having positive attitudes and behaviors, which will boost both the productivity of the workforce and the company as a whole.

The paper has significant implications for academic theoretical and applied research. Scholarly, it contributes empirical data from a developing nation context to the limited body of research on the connection between sustainable finance and worker satisfaction. The majority of previous research has focused on the economic and environmental impacts of sustainable financing, with little consideration paid to social aspects such as worker well-being. This study examines the potential effects of sustainable financial practices on the well-being of employees in the service sector in Lahore to close this gap. With practical ramifications for organizational operations, the results demonstrate the potential advantages of sustainable funding that extend beyond its impact on the economy and environment. This study contributes to the advancement of more comprehensive and socially conscious business models by demonstrating how sustainable financial practices might enhance worker well-being. For service sector organizations, especially in cities like Lahore, adopting sustainable funding could be a calculated move to boost employee satisfaction and overall productivity. A more engaged and driven workforce might result from this, which would help the company by improving performance and retention rates. Additionally, this study can help policymakers and business executives understand how important it is to include sustainability into financial operations in order to benefit society and organizations more.

The Social Exchange Theory provides a useful explanation of the relationship between sustainable finance and employee well-being. By operationalizing these practices using well-established ESG frameworks, this research attempts to investigate the implications of sustainable financial practices on work-life balance, stress levels, job satisfaction, and overall employee well-being in Pakistan's service industry. By creating better policies and strategies and realizing this connection, organizations may enhance employee well-being and achieve long-term sustainability goals. Sustainable financial practices are defined and operationalized in the current research through the use of established ESG frameworks and standards, such as the Global Reporting Initiative (GRI) and the Principles for Responsible Investment (PRI). These frameworks provide guidance on how to include environmental, social, and governance (ESG) factors in financial and business strategy decisions. Businesses that place a high priority on sustainable financial practices show that they take their environmental, social, and governance (ESG) obligations seriously. Environmental practices include investments in sustainable technologies and renewable energy sources, as well as the adoption of legislation targeted at minimizing environmental impact and lowering carbon footprint. Socially, these companies carry out fair labor policies, actively encourage diversity and inclusion among their personnel, and take part in corporate social responsibility (CSR) and community development programs. Regarding governance, they enforce accountability and openness in corporate governance procedures, respect moral business practices, and put strong anti-corruption measures in place.

Organizations may demonstrate their commitment to sustainability and ethical business practices while also meeting their ESG obligations by adopting these sustainable financial practices. This dedication, in turn, cultivates favorable opinions among staff members and raises general wellbeing inside the company culture. Organizations aim to preserve a competitive advantage in the global economy while simultaneously making a lasting influence on society and the environment through these coordinated activities.

Hypothesis

H1: There is a positive relationship between adopting sustainable finance practices and employee job satisfaction.

H2: Sustainable finance practices would likely positively predict lower employee stress levels.

Research Problem

Given the identified gaps in the literature, the primary research question for this study is: "What is the impact of sustainable finance practices on employee well-being in the service sector in Pakistan?" This question explores the relationship between sustainable financial practices and various dimensions of employee well-being, including job satisfaction, stress levels, and work-life balance.

Research Objectives

- To examine the relationship between sustainable finance practices and employee stress levels.
- To assess the predicted role of sustainable finance practices on employees' well-being.

Method

Research Design

This study employed a correlational research design to investigate the relationship of sustainable finance with employee's well-being.

Sampling Strategies

A purposive sampling strategy was used to ensure representation across different sub-sectors within the service industry, including banking, education, healthcare, and hospitality. Stratification ensured that the sample accurately reflected the service sector's diversity, enhancing the findings' generalizability.

Inclusion Criteria

Inclusion criteria for the study were as follows:

Employees working in a service sector organization in Lahore.

Participants with at least one year of work experience in their current organization to ensure they had sufficient exposure to the company's financial practices.

Exclusion Criteria

Employees on probation or temporary contracts, as their experiences might need to reflect the long-term impacts of sustainable finance practices accurately.

Part-time employees and interns, due to potentially differing work conditions and benefits.

Sample Size

The researchers used the Rao Soft sample size computation to ascertain the appropriate sample size because the study's entire population is not well described. Data were collected from 120 respondents working in the service sector in Pakistan. This sample size was sufficient to achieve statistically significant results while being manageable within the scope of the study.

Operational Definition of Variables

Sustainable Finance Practices

The extent to which an organization incorporates environmental, social, and governance (ESG) criteria into its financial decision-making processes.

Employee Well-Being

It is assessed through job satisfaction, stress levels, and Employee well-being. Each dimension will be measured using validated scales within the survey.

Measurements

Data were collected using a structured survey administered electronically. All questionnaires were administered in English. Data were collected using a structured survey administered electronically.

Demographic Sheet

The sample was recruited from adolescents between the age ranges of 25-45 years. The targeted population was screened by asking the service sector. The demographic characteristics of respondents (N=120) are presented in table 1.

Well-Being Scale (Ryff, & Keyes, 1995)

To assess Employee well-being, there are two types of well-being (subjective and objective). In this study, we employed the so-called subjective one. A scale was developed by (Ryff, & Keyes, 1995). That consists of 18 items (Cronbach's $\alpha = 0.71$) associated with a 5-point Likert-type scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree)

Table 1: Demographic table of service sector employees (N= 120)

Variable	n	%
Gender		
• Male	85	0.70
• Female	35	0.29
Age		
• < 25 year	25	0.21
• 25 to 30-year	47	0.39
• 31 to 40-year	34	0.28
• 41&above	14	0.12
Education		
• High School,	0	0.00
• Bachelor's	15	0.13
• Master's,	84	0.70
• Doctorate	21	0.18

Note: % Percentage

Sustainable Finance Practices Scale (Popescu, & G. N, 2019)

The Sustainable Finance Practices Scale consists of 10 items (Cronbach's $\alpha = 0.85$) with 5 response possibilities on a Likert scale: from 1 (Not Important) to 5 (Most Important) (Popescu, & G. N, 2019).

Procedure

The survey instrument included validated scales measuring sustainable finance practices and employee well-being. The survey was distributed electronically to the selected sample, with follow-up reminders to enhance response rates. Collect and organize the survey responses for analysis.

Ethical Consideration

The University of Lahore's Head of the Ph.D. Program was consulted for approval. Verbal informed consent was gained from the participants after they were informed about the purpose of the study. Every participant was free to leave the study at any time. Throughout the study, their identity was kept private.

Result

Data Analysis Techniques

The results obtained from the questionnaires were analyzed with the help of SPSS version 25. Descriptive statistical analysis was used. Pearson product-moment correlation was used to measure the relationship between variables. Data analysis involved the following techniques regression analysis.

Reliability Analysis

Table 2

Cronbach's Alpha of Well-Being and Sustainable Finance (N=120)

Variable	n	α
Well Being	18	0.71
Sustainable Finance	10	0.85

Note. α = Cronbach's Alpha

Table 2 presents Cronbach's Alpha for the three scales of this study. The well-being 18 items and the Cronbach Alpha is 0.71; the sustainable finance scale includes 10 items, and the Cronbach Alpha value is 0.85,

Correlation Analysis

The Pearson Product-Moment Correlation was used to examine the relationship between sustainable finance practices and employee well-being among 120 respondents in the service sector in Pakistan. Table 2 presents the means, standard deviations, and correlation coefficients for the variables studied.

Table 2

Pearson Product Movement Correlation of Sustainable Finance and Employee well- being

Factors	*N*	*M*	*SD*	1	2
1. Sustainable Finance	120	53.34	3.13	---	.20*
2. Employee Well-Being	120	63.70	5.15	---	---

Note. **p<.05, **p<.01, ***p<0.001*

Table 2, the correlation analysis revealed a statistically significant positive relationship between sustainable finance practices and employee well-being ($r = .20$, $p < .05$). This indicates that higher levels of sustainable finance practices are associated with higher employee well-being. Specifically, organizations that integrate environmental, social, and governance (ESG) criteria into their financial decision-making tend to have employees who report greater well-being, encompassing aspects such as job satisfaction, lower stress levels, and better Employee well-being. The mean score for sustainable finance practices was 53.34 (SD = 3.13), indicating that, on average, organizations moderately incorporate sustainable finance practices. The mean score for employee well-being was 63.70 (SD = 5.15), reflecting a relatively high level of well-being among employees in the sample.

These results underscore the importance of sustainable finance practices in enhancing employee well-being within the service sector. The positive correlation suggests that as organizations improve their sustainability practices, there are benefits for employee well-being, contributing to a healthier, more satisfied, and more productive workforce. This finding aligns with previous international research suggesting that sustainable business practices foster a supportive work environment and improve employee morale.

In addition to the correlation analysis, a linear regression analysis was conducted to explore further the predictive relationship between sustainable finance practices and employee well-being. Table 2 presents the regression coefficients, standard errors, and other relevant statistics.

Table 3

Linear Regression Coefficient of Sustainable finance and Employees well being

Variable	*B*	SEB	*β*	R^2	*F*
Constant	*44.95*	8.48			
Sustainable Finance	.35	.15	.20	.03	4.90*

Note. *N*=120; **p<.001, B= Unstandardized, SEB =Coefficients St. Error, β= standardized Coefficients Beta, $R^{2=}$ Adjected R Square,*

The linear regression analysis revealed that sustainable finance practices significantly predict employee well-being (F = 4.90, p < .001). The regression model accounted for 3.2% of the variance in employee well-being (R^2 = 0.03), indicating a modest but significant effect. The unstandardized coefficient (B) for sustainable finance practices was 0.35, with a standard error (SEB) of 0.15. This suggests that for each unit increase in sustainable finance practices, there is an associated increase of 0.35 units in employee well-being. The standardized coefficient (β) of 0.20 indicates a positive relationship, corroborating the findings from the correlation analysis.

The constant term (intercept) was 44.95, indicating the expected level of employee well-being when sustainable finance practices are at zero. While the R^2 value shows that sustainable finance practices explain a small portion of the variance in employee well-being, the statistical significance of the F-test underscores the importance of sustainable finance as a predictor. These results reinforce the positive impact of sustainable finance practices on employee well-being, suggesting that organizations that incorporate ESG criteria into their financial decisions can foster a more supportive and satisfying work environment. This has practical implications for management and policymakers aiming to enhance employee well-being through sustainable business practices. Table 3 shows the impact of organizational culture on employees' job performance. The R2 value revealed that the predictor variable explained a 4% variance in the outcome variable. The findings revealed that organizational culture positively predicted the job performance of employees.

Summary of Findings

The results of the study show a strong positive correlation between employee well-being in Lahore's service industry and sustainable financial practices. Higher levels of sustainable financial practices are correlated with greater employee well-being, according to the Pearson Product-Moment Correlation ($r = 0.20$, $p < 0.05$). Additionally, the linear regression analysis showed that, with 3.2% of the variance in employee well-being explained ($F = 4.90$, $p < 0.001$), sustainable financial practices strongly predict employee well-being. Employee well-being increased by 0.35 for every unit rise in sustainable finance practices ($B = 0.35$, $SEB = 0.15$). These findings imply that employees of companies that integrate environmental, social, and governance (ESG) factors into their financial decision-making processes typically report increased job satisfaction, reduced stress, and improved employee well-being.

Discussion

The study's conclusions shed important light on how sustainable financing methods affect workers' well-being in the service industry. The findings indicate that companies that give priority to environmental, social, and governance (ESG) factors tend to cultivate a more positive work environment. The positive connection ($r = 0.200$, $p < 0.05$) between sustainable financial practices and employee well-being supports this theory. This is in line with research that shows how integrating corporate actions with employees' beliefs through sustainable business practices improves employee happiness and morale (Cheema et al., 2020). Regression analysis confirmed this association even more, demonstrating that sustainable financial practices account for 3.2% of the variance in employee well-being ($F = 4.90$, $p < 0.001$) and are a strong predictor of employee well-being. Even while this percentage might appear low, it's important to understand that a variety of factors affect workers' well-being.

The study's findings, which demonstrate the favorable relationship between sustainability practices and organizational performance, are in line with findings from other worldwide studies, including those of Eccles et al. (2014) and Friede et al. (2015).

Still, this study adds to the scant literature on how sustainable financing affects workers' well-being in developing nations, especially Pakistan. The results are consistent with those of Khan and Ghouri (2018), who discovered that, in the Pakistani setting, CSR initiatives had a beneficial impact on employee satisfaction and morale.

Theoretical Implications

The study's findings add to the theoretical framework by offering factual proof of the beneficial effects of sustainable financing on workers' well-being. This is consistent with the Stakeholder Theory, which holds that companies should integrate ESG standards into their operations in order to produce value for all stakeholders, including employees. The results additionally bolster the Social Exchange Theory, positing that when companies adopt sustainable practices, their workforces respond by exhibiting increased levels of involvement and overall well-being.

These findings highlight the significance of adopting sustainable finance techniques for economic and environmental benefits as well as improving employee well-being for practitioners and policymakers. These insights can be used by organizations in the service industry, as well as possibly other industries, to support their investments in sustainability programs. By encouraging a work climate that places a high priority on sustainability, organizations can improve employee work-life balance, lower stress levels, and increase job satisfaction. Better overall organizational performance, lower turnover, and increased productivity can result from this.

Limitations and Future Research

This study has certain drawbacks, despite its contributions. Although 120 respondents is a reasonable sample size for this research, the conclusions may not be as broadly applicable as they may be. To provide a more thorough insight, future research might involve more cities and a larger sample size. Furthermore, the cross-sectional design of the study makes it difficult to determine causality. Deeper understanding of the long-term effects of sustainable financial practices on employee well-being may be obtained through longitudinal research.

Conclusion

As a result, there is strong evidence from this study that the service industry in Lahore benefits from sustainable financing practices in terms of worker well-being. Organizations can create a more encouraging and fulfilling work environment by incorporating ESG principles into financial decision-making. These findings highlight the broader benefits of sustainable finance, extending beyond financial and environmental gains to include significant social outcomes, thereby advocating for the adoption of comprehensive sustainability strategies in organizational practices.

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