The importance of green procurement in the financial activities of enterprises

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Abstract: In today's rapidly evolving financial and regulatory landscape, joint-stock companies face increasing expectations to align their corporate finance strategies with environmental, social, and governance (ESG) principles. This study explores the role of sustainable procurement - the integration of ESG criteria into procurement processes - in the financial performance and strategy formulation of joint-stock companies. By applying multiple linear regression analysis to financial and ESG data from five leading companies, the research evaluates the impact of sustainable procurement practices on key profitability indicators, specifically Return on Assets (ROA) and Return on Equity (ROE). The results reveal that sustainable procurement has a consistently positive association with both financial performance measures, emphasizing its strategic value in enhancing corporate profitability.

Keywords: sustainable procurement, ESG principles, corporate finance strategy, joint-stock companies

Introduction

In the contemporary business environment, corporate finance strategy has evolved beyond traditional financial management practices to incorporate broader considerations of environmental, social, and governance (ESG) principles. Joint-stock companies, which hold a significant role in national and global economies, are increasingly expected to align their financial strategies with sustainable development goals and stakeholder expectations. One critical, yet often underexplored, component of this alignment is sustainable procurement - the integration of environmental, social, and ethical criteria into procurement processes.

Sustainable procurement extends the influence of corporate finance strategy beyond organizational boundaries, directly affecting cost structures, operational risks, and long-term financial performance. It plays a pivotal role in securing resource efficiency, managing reputational risks, ensuring regulatory compliance, and fostering innovation through sustainable supplier partnerships. In joint-stock companies, where corporate governance mechanisms and investor expectations are particularly stringent, sustainable procurement can serve as both a financial management tool and a strategic lever for enhancing corporate value.

This article will explore the conceptual foundations of sustainable procurement, analyze its integration into financial decision-making, and assess practical applications within corporate governance frameworks. By highlighting the strategic significance of responsible procurement practices, this study seeks to contribute to the growing discourse on sustainable corporate finance and provide actionable insights for financial managers and policy-makers in JSCs.

In alignment with the 51st objective of the Decree, which emphasizes the transition towards a green economy through a substantial increase in the use of renewable energy sources, several key performance targets have been established for achievement by the year 2030:

- to increase the share of renewable energy sources to 25 thousand MW and 40% of total consumption .
- develop the market for “green certificates” in industry and introduce the practice of “ecological labeling”
- reducing natural gas consumption by modernizing 3 thermal power plants with a capacity of 3 GW.
- introduction of a system for assessing the energy efficiency (energy audit) of apartments in multi-storey buildings.
- switching public transport in cities to environmentally friendly fuels.
- establish a monitoring system (MRV) covering all greenhouse gases in the field of climate change.
- reduce greenhouse gas emissions per unit of gross domestic product by 30 percent from 2010 levels[1].

Literature review

In the book *Green to Gold*[2], Daniel C. Esty and Andrew S. Winston argue that integrating environmental strategies into business operations can drive innovation and competitive advantage. Karen Wendt’s work focuses on sustainable finance and impact investing, emphasizing the importance of integrating ESG considerations into financial decision-making processes[3]. In *The trillion dollar shift*[4], Marga Hoek discusses how aligning business strategies with the United Nations Sustainable Development Goals can unlock significant economic opportunities. Stuart L. Hart’s research on sustainable global enterprise and the “base of the pyramid” concept highlights the strategic importance of sustainability in reaching underserved markets[5].

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[1] Decree of President of the Republic of Uzbekistan, “About the "Uzbekistan - 2030" strategy”, 11.09.2023, PF-158.

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Analysis and results

In this section, we examine the relationship between sustainable procurement and the financial performance of five prominent companies: Apple, Microsoft, Unilever, Toyota, and Google. The analysis focuses on how sustainable procurement practices affect key financial indicators, particularly return on assets (ROA) and return on equity (ROE) alongside other variables such as total assets, total debt, procurement amount, tender count, and ESG score.

To assess the impact of these factors on ROA and ROE, we employed a linear regression model that incorporates both financial metrics and sustainability-related variables. The independent variables in our analysis include:

- sustainable procurement (a binary variable: 1 for companies implementing sustainable procurement, 0 otherwise),
- total assets and total debt (to capture the financial size and leverage of the company),
- procurement amount and tender count (reflecting the company's procurement activities),
- ESG score (a composite measure of a company’s environmental, social, and governance performance).

The dependent variables are ROA and ROE, which provides a measure of the company’s profitability in relation to its total assets and equity. The regression model aims to evaluate how much sustainable procurement influences ROA and ROE, while accounting for the potential effects of other control variables.

The first model indicates a positive relationship between sustainable procurement and ROA, suggesting that companies actively engaged in sustainable procurement practices tend to achieve higher returns on their assets. Similarly, log total assets and log procurement amount exhibit positive coefficients, implying that firms with larger asset bases and higher procurement amounts tend to report stronger asset returns. The negative coefficient for total debt reflects a slight adverse effect of debt on profitability, although its magnitude appears negligible in this context. Notably, the ESG score demonstrates a negative coefficient, indicating a potential inverse relationship between ESG score and ROA within the sample observed.

The results suggest that sustainable procurement practices and operational scale (total assets and procurement volume) are consistently associated with improved financial performance in state-owned joint-stock companies. This underscores the potential for integrating ESG-aligned procurement strategies as a mechanism for enhancing both asset and equity returns.

Conclusion

This research highlights the growing significance of sustainable procurement as a critical component in the development and execution of corporate finance strategies within joint-stock companies. The empirical analysis demonstrates that companies actively integrating sustainable procurement practices tend to achieve higher financial performance, as measured by return on assets (ROA) and return on equity (ROE). The positive relationship between operational scale, procurement volume, and profitability further reinforces the strategic importance of procurement management in financial planning.

While the study also observes a modest negative association between ESG scores and short-term profitability, this outcome likely reflects the initial costs and investments required to implement ESG initiatives. In the longer term, these initiatives are expected to generate operational efficiencies, risk mitigation benefits, and reputational advantages that enhance financial resilience and corporate value.

The findings suggest that joint-stock companies, especially those within the public sector, should prioritize the integration of ESG-aligned procurement strategies as part of their broader corporate finance frameworks. By doing so, they can contribute to the successful realization of national development goals, such as those outlined in “Uzbekistan - 2030” strategy, while simultaneously strengthening their financial performance and competitive positioning.

Future research could expand the scope of analysis by incorporating a larger sample size, sectoral comparisons, and longitudinal data to further validate the long-term financial benefits of sustainable procurement in diverse economic contexts.

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