ECONOMIC EFFICIENCY OF ESG STRATEGIES IN UNIVERSITY MANAGEMENT

Jahongir Yunusov
Student, Faculty of International Economic Relations
University of World Economy and Diplomacy
Email: serdar26482@gmail.com

Abstract: The main goal of this research paper is to look at the economic side of Environmental, Social, and Governance (ESG) strategies in the management of universities. Usually, when people talk about ESG, they think about ecology or doing good deeds for society. However, for an economics student, the most important question is whether these strategies make financial sense. Universities today are facing a lot of problems with funding. The government gives less money, and the competition for students is getting higher every year. Therefore, this paper analyzes whether spending money on ESG is just a cost or if it is actually an investment that brings money back. To do this, I used a conceptual analysis method and looked at secondary data from various reports and scientific articles. I also reviewed the literature to see what other researchers say about this topic. The findings suggest that ESG is actually economically efficient. For example, the "Environmental" part helps to cut down the bills for electricity and water, which reduces operational costs (OpEx). The "Social" part is important for marketing because it attracts students who care about ethics, keeping the revenue from tuition fees stable. The "Governance" part helps to avoid risks and scandals that could lose the university money. In conclusion, the paper argues that university managers should stop seeing sustainability as a burden and start treating it as a smart financial strategy for the long term.

Keywords: ESG strategies, university management, economic efficiency, cost benefit, higher education, financial sustainability.

Introduction

In the modern world, the economy of higher education is changing very fast. A few decades ago, universities were mostly funded by the state and did not have to worry too much about making money or being efficient. But now, the situation is completely different. We are living in a time of global economic instability, high inflation, and budget cuts. Because of this, universities are forced to act more like business corporations. They have to manage their budgets very carefully; they have to compete for customers which in this case are the students and they have to make sure they are not wasting resources. In this difficult context, the concept of ESG (Environmental, Social, and Governance) has become very popular. Originally, ESG was something that was used in the stock market for big companies to measure how sustainable they are. Investors used it to decide where to put their money. But now, this concept has moved into the education sector.

However, there is a big problem. Many university administrators and even some economists still think that ESG is just about charity or public relations. They think that installing solar panels or creating social programs is just an extra expense that takes money away from education and research. This paper tries to prove that this view is wrong. The main argument here is that ESG strategies are actually tools for economic efficiency. If a university manages its resources well (Environmental), treats its people well so they don't leave (Social), and has honest management (Governance), it will be financially healthier than a university that ignores these things.

The relevance of this topic is huge right now. We see that students, especially from the younger generation, really care about the planet and social justice. They choose universities that align with their values. Also, the government and investors are starting to look at these things too. So, if a university wants to survive and have enough money in the future, it needs to understand the economics of ESG. This paper will look at the literature, explain the theories behind this, and then analyze each part of ESG to show how exactly it saves or earns money for the institution.

2. REVIEW OF LITERATURE

To understand this topic, I looked at a lot of different sources and articles that have been written recently. The literature on this subject has changed a lot over the last few years. In the beginning, most researchers focused on the teaching part how universities can teach students about sustainability. But now, there is more focus on the management and financial side.

For example, Findler, Schönherr, Lozano, Reider, and Martinuzzi did a big review of how higher education institutions impact sustainable development. They found that universities are not just schools; they are big organizations that have a huge impact on the economy and society. Their study is important because it conceptualizes sustainability not just as “being green” but as a whole system of management. This connects directly to my topic because management decisions are what drive economic efficiency.

Then there is the work of Mo and Wang, who looked at ESG reporting in universities, specifically in China. Their research is very interesting because they found that when universities openly report their ESG data, it helps their performance. This suggests that transparency is not just good for reputation, but it actually has a positive effect on how the university runs. It supports the idea that gathering data helps managers make better decisions.

Another important perspective comes from Macneil and Irene-Esser. They wrote about how ESG shifted from just a financial model to an "entity model." This basically means that ESG is no longer just for investors looking at stock prices; it is a way to look at the whole organization. For a university, this is key. It means we should look at the university as one big entity where everything is connected. If the governance is bad, the financial health suffers.

I also looked at the study by Che, Song, and Li. They asked a very direct question: How do ESG factors affect financial performance? Although they looked at corporations, their findings are very applicable to universities. They showed that there is a link between good ESG performance and financial stability. This is the core of my argument. If it works for companies, it should work for universities too, because universities also have revenues, costs, and assets.

Furthermore, Daugaard did a systematic review of ESG investing. He showed that new themes are emerging, and one of them is the social aspect. This helps us understand that the "S" in ESG is becoming just as important as the "E". Finally, Manzari et al. explored ESG drivers in universities through a "multi-stakeholder lens." This means they looked at how different groups students, staff, government push universities to be better. This leads us to the theories I will use in this paper.

3. RESEARCH OBJECTIVES

The objectives of this study are very specific. I am not trying to save the world; I am trying to understand the money. First, I want to examine the role of ESG practices in enhancing university reputation and rankings. Everyone knows rankings are important, but I want to see the economic link how a better ranking leads to more money. Second, I want to analyze how integrating ESG frameworks works with the ranking methodologies. I want to understand what the ranking agencies like QS or THE are actually looking for, so universities can adjust their strategies to get better scores. Third, and most importantly, I want to recommend strategies for ESG adoption that improve competitiveness. I want to find out if the benefits (more money, less waste) are bigger than the costs of implementing these strategies. Basically, is it worth it?

4. RESEARCH METHODOLOGY

For this paper, I chose a qualitative research design. Since I am a student, I do not have access to the internal financial audits or private bank accounts of universities. I cannot see exactly how much money they spend on electricity or how much they save. Therefore, I cannot do a quantitative regression analysis. Instead, I am using a "conceptual analysis." This methodology means that I am taking existing economic theories and applying them to the situation of university management. I am using secondary data. I collected information from scholarly literature (the articles I mentioned above), global reporting frameworks like the GRI (Global Reporting Initiative), and the methodologies of university rankings like the THE Impact Rankings and QS Sustainability Rankings.

I am also using a theoretical "Cost-Benefit Analysis" approach. This is a standard economic tool. Even without exact numbers, we can model the costs and benefits. For example, we know that buying a solar panel costs money (Cost) and that it produces free electricity (Benefit). We can logically discuss whether the benefit happens quickly or slowly. To make sense of the data, I am using three main economic theories. The first one is "Stakeholder Theory." This theory says that an organization has to satisfy everyone involved, not just the owners. For a university, stakeholders are students, professors, the government, and the community. The second theory is "Signaling Theory." This is used in information economics. It explains how universities use their ESG status to "signal" to the market that they are high-quality, which allows them to charge fees. The third is "Agency Theory," which explains the relationship between the people providing the money (principals) and the managers (agents).

5. THEORETICAL FRAMEWORK

It is important to explain the history and theory a bit more to understand why this matters. The concept of ESG did not appear out of nowhere. It started way back with "Socially Responsible Investing" (SRI). Hammond and O'Brien (2021) describe this shifting investment landscape well. In the past, investors just avoided "sin stocks" like tobacco or weapons. But then it evolved. In the 2000s, the UN launched the "Principles for Responsible Investment." Then came the SDGs (Sustainable Development Goals). Now, we are in a phase where ESG is standardized. We have frameworks like the GRI and SASB. For universities, this history is important because education usually follows the corporate world. What happened in banking ten years ago is happening in universities now. The "Stakeholder Theory" is the most useful here. In a normal business, the goal is profit maximization. But in a university, the goal is value maximization for society. However, to do that, the university needs to be financially efficient. If the university ignores the environmental stakeholders, it pays higher taxes. If it ignores social stakeholders, it loses students. So, economic efficiency in a university is actually defined by how well it manages these stakeholder relationships.

6. ANALYSIS AND DISCUSSION

Now, let's break down the analysis into the three pillars of ESG and look at the real economic impact of each one. This is where we can see if it is truly efficient.

6.1 Environmental Factors: Operational Efficiency and Assets

The "E" in ESG is usually what people think of first. From an economic point of view, this is mostly about managing costs and assets. A university is like a very large landlord. It owns huge buildings, libraries, dormitories, and laboratories. These buildings consume a massive amount of energy, water, and heat. When a university decides to implement an Environmental strategy, it usually starts with energy efficiency. For example, replacing old lights with LEDs, insulating windows, or installing smart sensors that turn off heating when no one is in the room. In accounting terms, this requires "Capital Expenditure" (CapEx). The university has to spend a lot of money upfront to buy the equipment. This is the part that scares administrators. They see a big negative number in the budget for this year. However, an economist looks at the long term. These investments reduce "Operational Expenditure" (OpEx). If a university cuts its energy bill by 30%, that is a huge saving that happens every single month, forever. Over 10 or 20 years, the return on investment (ROI) is positive. It is much cheaper to run a green campus than an old, inefficient one. Also, there is the issue of "Green Finance." As discussed in the literature, the investment landscape is shifting. Banks are now offering "Green Bonds" or "Sustainability-Linked Loans." These loans often have lower interest rates. So, if a university wants to build a new campus, it is cheaper to borrow money if the project is sustainable. This lowers the cost of capital, which is a direct economic benefit.

6.2 Social Factors: Human Capital and Revenue Stability

The "S" stands for Social. In economics, we can look at this through the lens of "Human Capital Theory." A university relies entirely on its people. The quality of the university depends on the quality of its professors and researchers. If a university has a bad social strategy, for example, if it discriminates, has a toxic culture, or pays unfair wages it will have a high turnover rate. Staff will leave. In economics, high turnover is very inefficient. It costs a lot of money to search for new professors, interview them, and train them. It is much more efficient to keep the good staff you already have. By investing in social programs, diversity, and inclusion, the university makes its employees happier. This reduces "transaction costs" related to hiring. On the revenue side, we have the students. Students are the consumers. Today's students are very aware of social issues. They look for universities that share their values. If a university has a strong reputation for social responsibility, it attracts more applicants. This is simple supply and demand. High demand allows the university to be selective and, in many cases, to keep tuition fees at a healthy level. If the reputation is bad, fewer people apply, and the university might lose revenue. Therefore, the “Social” strategy acts as a protective shield for the university's main source of income.

6.3 Governance Factors: Risk Management

The “G” stands for Governance. This is often the most boring part for students, but economically it is critical. Governance is about how decisions are made and who controls the money. It covers things like anti-corruption, transparency, and ethics. We can use “Agency Theory” here. In a university, the people managing the money (rectors) are not the ones who gave the money (government or donors). There is a risk that the managers will waste the money. This is called "agency cost." Strong ESG governance reduces this cost. It puts rules in place to make sure every dollar is spent correctly. Furthermore, there is the risk of funding withdrawal. Universities rely on grants and donations. Donors hate scandals. If a university is caught in a corruption scandal or is hiding its financial data, donors will stop giving money. The government might cut subsidies. This can lead to financial ruin. By having strong Governance strategies like publishing clear annual reports and having independent audits the university reduces this risk. It builds trust. Trust, in economics, lowers the cost of doing business. It makes it easier to get partnerships and grants.

6.4 Rankings as Economic Signals

A very important part of this analysis is the role of rankings. We mentioned the Times Higher Education (THE) Impact Rankings and others in the literature review. These rankings measure how well a university meets the UN Sustainable Development Goals. Why is this an economic issue? Because of globalization. The market for higher education is global. Students from India, China, or Uzbekistan look at these rankings to decide where to go. International students usually pay much higher fees than local students. They are a “cash cow” for many universities. If a university improves its ESG performance, it goes up in these rankings. A higher ranking signals to the world that this is a top-tier institution. This attracts more international students. So, the money spent on ESG is basically a marketing investment. The return comes in the form of higher enrollment numbers from overseas. This proves that ESG is directly linked to the competitive advantage of the university.

7. RECOMMENDATIONS

Based on all this analysis, I have a few recommendations for universities. They need to change their mindset. First, universities should integrate ESG into their main strategy, not keep it on the side. It should be part of the core business plan. Second, they need to stop seeing ESG spending as a “cost.” In their accounting, they should treat it as a capital investment. They should calculate the ROI for every green project. Third, they should adopt recognized reporting frameworks like the GRI or SASB. As we saw in the literature, reporting helps performance. It forces the university to collect data. You cannot manage what you do not measure. If they measure their energy use, they will find ways to cut it. Fourth, they should use their ESG performance for marketing. They should brag about their green campus and their social programs to attract the best students. Finally, they should improve governance to build trust with donors. A transparent university is a wealthy university.

8. CONCLUSION

In conclusion, this paper has tried to show that there is a strong economic case for ESG in universities. It is not just about idealism. The analysis shows that ESG strategies improve economic efficiency in several ways. The Environmental strategy lowers operating costs through energy savings. The Social strategy protects revenue by attracting students and saving money on staff retention. The Governance strategy minimizes the risk of losing funding due to scandals. We are living in a time when universities have to be smart with their money. They cannot afford to be wasteful. The literature and the economic theories all point in the same direction: sustainability and financial stability go hand in hand. A university that adopts ESG is building a foundation for the future. It is positioning itself as a modern, efficient, and responsible institution. Those that ignore ESG will likely face higher costs, lower revenues, and a loss of reputation in the long run. Therefore, ESG is essential for the economic survival and success of higher education institutions.

REFERENCES

1. Che, X., Song, C. and Li, J. (2024). How do corporate environmental, social, and governance (ESG) factors affect financial performance? Sustainability.
2. Daugaard, D. (2020). Emerging new themes in environmental, social and governance investing: A systematic literature review. Accounting & Finance, Vol. 60, No. 2, pp. 1501–1530.
3. Findler, F., Schönherr, N., Lozano, R., Reider, D. and Martinuzzi, A. (2019). The impacts of higher education institutions on sustainable development: A review and conceptualization. International Journal of Sustainability in Higher Education, Vol. 20, Issue 1, pp. 23–38.
4. Hammond, K. and O'Brien, J. (2021). ESG: The shifting investment landscape. Journal of Sustainable Finance & Investment, 11(3), pp. 195–210.
5. Macneil, I. & Irene-Esser, I. (2021). From a financial to an entity model of ESG. European Business Organization Law Review, 23, pp. 9–45.

6. Manzari, A., Gigli, S., Schimperna, M. and Schimperna, F. (2025). Sustainability and higher education: exploring ESG drivers of university performance through a multi-stakeholder lens. International Journal of Information and Operations Management Education.
7. Mo, F. and Wang, D.D. (2023). Emerging ESG reporting of higher education institutions in China. Heliyon, Vol. 9.
8. Mo, Y. & Wang, H. (2023). ESG and university performance. International Journal of Educational Development, Vol. 97, Article 102658.
9. Times Higher Education (2025). THE Impact Rankings. [Online]. Available at: https://www.timeshighereducation.com/impactrankings
10. Zabiiaka, I., Nefodov, D., Hryashchevskaya, L., Horvat, M. and Shynkaruk, O. (2023). Foreign experience in quality assurance within the innovative space of higher education. Eduweb.