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Discovering Thoughts, Inventing Future

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Impact of Financial Development and Resource Rents on Total Factor Productivity in Gulf Cooperation Council Countries

By Ruba A. Al-Jarallah

College of Business Studies - The Public Authority for Applied Education and Training - Kuwait

Abstract- The present study estimates the impact of financial development and resource rents on total factor productivity in the Gulf Cooperation Council (GCC) countries by applying the GMM approach. The study takes the panel data from 1984 through 2019, while keeping population, corruption, and trade openness as control variables. The results reveal that financial development and resource rents affect total factor productivity positively in GCC countries. Moreover, the results show that improving trade openness contributes positively to total factor productivity. Though, raising corruption and population deteriorate productivity. Thus, this study emphasizes on the need to improve the quality of political institutions to minimize corruption and encourage contraceptives to control the fertility rate for intergenerational sustainability. Further, there is a need to promote trade and financial integration with developed countries, and to efficiently utilize natural resource rents for long-term growth and development.

Keywords: financial development; total factor productivity; resource rents; corruption; trade openness; GCC countries.

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Impact of Financial Development and Resource Rents on Total Factor Productivity in Gulf Cooperation Council Countries

Ruba A. Al-Jarallah

Abstract- The present study estimates the impact of financial development and resource rents on total factor productivity in the Gulf Cooperation Council (GCC) countries by applying the GMM approach. The study takes the panel data from 1984 through 2019, while keeping population, corruption, and trade openness as control variables. The results reveal that financial development and resource rents affect total factor productivity positively in GCC countries. Moreover, the results show that improving trade openness contributes positively to total factor productivity. Though, raising corruption and population deteriorate productivity. Thus, this study emphasizes on the need to improve the quality of political institutions to minimize corruption and encourage contraceptives to control the fertility rate for intergenerational sustainability. Further, there is a need to promote trade and financial integration with developed countries, and to efficiently utilize natural resource rents for long-term growth and development.

Keywords: financial development; total factor productivity; resource rents; corruption; trade openness; GCC countries.

I. Introduction

Individuals, firms, and enterprises in developed and developing countries have high external and internal financial requirements. It is easy to fulfill these requirements if the financial sector is well formalized, developed, and integrated. The financial sector advancement helps countries to achieve sustainable growth and development (Tariq et al., 2020). In developing countries, financial development (FD) leads to the accumulation of human capital especially in education and skill development. Moreover, financial development improves business environment and infrastructure, and attracts Foreign Direct Investment (FDI) (Li and Liao, 2020). Levine (1997) finds that FD might boost long-run productivity growth by reducing information and transaction costs and increasing the rate of investment and technological advancement.

In the traditional growth model, a healthy financial system boosts productivity by facilitating trade channel funds to increase saving rate and investment levels. Still, this role is limited due to diminishing returns to capital (Ehigiamusoe and Samsurijan, 2021). However, the capital might not have diminishing returns due to endogenous technological advances via R&D, which has positive externalities on TFP (Xu and Pal, 2011). It is found that a repressed financial system hinders growth and productivity due to the lack of credit provision to the innovators, the misallocation of resources due to financial distortions, and the inefficiency due to increased cost of doing business (Aghion et al., 2008). FD enables households to switch from unproductive tangible assets into productive financial assets, which increases the credit supply and productivity (Al-Hussainy et al., 2008; Gloede and Rungruxsirivorn, 2013). Moreover, FD reduces market failure that is caused by multiple constraints and under different arrangements (Beck et al., 2008).

Past studies have shown that the effects of resource rents over TFP have mixed outcomes depending on the country's reliance on its natural resources (Aljarallah, 2020a; 2020b). It is found that countries with minimal resources tend to have little or no effect of resource rents on their productivity (Ulusoy and Tas, 2017; Xiao et al., 2022), while countries with higher natural resources tend to show a clear effect of resource rents on TFP (Aljarallah, 2021). The natural resource rents in resource-abundant economies affect productivity positively, while rents from natural resource-dependent economies affect productivity negatively as it slows down economic activities (Zaidi et al., 2019). Though an increase in fiscal revenues boosts TFP growth through spending on innovation and production technology, it is crucial to note that the positive impact of resource rents on TFP is majorly dependent upon institutional quality, legal system, and property rights (Aljarallah, 2020). In an economy where institutions are producer friendly, the increased inflow of receipts from the sale of natural resources generates additional sources of income for producers, pushing profit margins upwards (Kaznacheev, 2013). Thus, the quality of institutions has shown a significant role in determining whether natural resource abundance is a blessing or a curse. The institutions would ensure an environment that fosters TFP through innovation and technological changes, promoting growth and development (Tebaldi, 2016). While many researchers assert the positive impact of resource rents on TFP, there is substantial evidence that they would vouch against it. The argument is based upon the resource curse hypothesis, which states that the abundance of natural resources has a

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crowding-out effect on economic activities, especially in the manufacturing sector, which drives the growth rates (Atkinson and Hamilton, 2003).

Several studies have shown that corruption has a negative effect on TFP, particularly in low- growth countries. Low-growth countries have less export intensity, less spending on education and low human capital (Demir et al., 2022). High levels of corruption are evident to affect TFP through the adverse effects on the rate of investment, scientific research and innovation, employment, volume and quality of the production factors, and output growth (Keita, 2017; Aqeel et al., 2022). Moreover, corruption affects TFP through tax burden (Kéïta and Laurila 2021). However, the increase in tax rates doesn't trigger corruption in effectively governing economies with less tax evasion (Dzhumashev, 2014). As per Swaleheen (2011), widespread corruption is one of the main reasons that causes the developing countries to fall back instead of catching up with the developed countries. Teoman et al., (2020) find that the greater the size of the government, the higher the corruption and the lower the TFP. As corrupted politicians tend to create more opportunities for bribery instead of accelerating the governmental processes (Myrdal, 1969). Also, these countries would be stuck with low-value projects due to the shift in the investment flow (Murphy, 2000), thus, harming the investment levels in the country.

The Global Economic Respects (GER) stated that trade openness might accelerate growth by stimulating the latest forms of productivity and specialization, leading to rapid employment creation and poverty alleviation across countries. Thus, trade openness is estimated to affect TFP positively. As a result, trade openness is used as a benchmark for integration and globalization. Isaksson (2007) and Frankel and Romer (1999) find that competition and integration are essential factors that substantially affect TFP. Trade openness enhances TFP through different ways, such as competition, access to advanced technology, encouraging learning by doing, and inducing high demand for skilled labour (Majeed et al., 2010). This results in a stock of skilled human capital that significantly impact trade openness and TFP (Miller and Upadhyay, 2000). Thus, trade restrictions lead countries towards the underutilization of their human capital. Also, larger trade causes greater openness, which expands the country's ability to adopt efficient production techniques that lead to the rapid growth of TFP (Miller and Upadhyay, 2000). However, it is argued by Rodrick (1988) that trade protection does not necessarily discourage productivity growth. As trade liberalization might retard productivity growth by reducing the domestic incentives to invest in technological innovation. Also, trade openness might worsen the export performance due to low supply elasticities in the least developed countries (Stein et al., 1989).

Earlier studies have shown that the impact of population growth on TFP has different results. Klasen and Nestmann (2006) and Boserup (1987) have shown a positive impact of population on TFP as the increase in labour force causes greater productivity. However, other scholars have shown a negative impact of population growth on TFP in developed countries. TFP is affected negatively from the increased dependency ratio of family members to total labour supply, savings, and consumption (Tang and MacLeod, 2006). Pritchett (1999) explains that rapid population growth reduces human capital and causes natural resource depletion. Also, rapid population growth is associated with a slower growth rate of labour force participation in a study conducted by Ursavaş (2020). Kögel (2005) asserts that the youth dependency ratio adversely impacts TFP, which suggests that the fall in productivity per person as the population grows is mainly due to the differences in workforce participation.

Given the importance of financial development and the dependency of Gulf Cooperation Council Countries (GCC) on their natural resources, the present study estimates the impacts of these two variables on total factor productivity (TFP) in the Kingdom of Saudi Arabia (KSA), United Arab Emirates (UAE), Kuwait, and Qatar. To our knowledge, no study has been conducted to estimate the combined impacts of financial development and resource rents on TFP in GCC countries. This study takes the lead and uses the GMM approach. The results indicate that resource rents (RR) and financial development (FD) have positive and significant relationships with the TFP. The control variables in this study are corruption, trade openness, and population.

The present study is organized as follows: section 2 explains the research method and data. Then, section 3 states the results and discussion and section 4 presents the conclusion and policy recommendations.

II. Research Method

In this study, we estimate the impacts of specific financial development and resource rents on total factor productivity, the Generalized Method of Moments (GMM) is used. The study regression model is

$$\ln TFP_{it} = \beta_0 + \beta_1 FD_{it} + \beta_2 RR_{it} + \beta_3 Corr_{it} + \beta_4 Pop_{it} + \beta_5 Trad + \mu_{it} \quad \ldots (1)$$

Total factor productivity (TFP) is taken as a dependent variable. The variable FD represents the financial development, whereas the variable RR is the resource rents. The Corr shows the Corruption. Pop represents the population and Trad represents the trade openness.

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The balanced panel data estimates the impact of financial development on total factor productivity. The GMM technique has proved to be better when dealing with endogeneity (Ullah et al., 2018). The GMM is one of the most widely used methods for estimation in economics. The dataset ranges from 1984 to 2018 and covers four Gulf Countries. The total factor productivity has proved to be an essential tool for comparing the development across countries. The detail of variable description and the data source is provided in table 1.

Table 1: Summary of variables, descriptions and data sources

Classification	Variable name	Description	Data source
Dependent Variable	Total Factor Productivity	TFP level at current PPPs (USA=1)	Penn World Table 10.0 https://www.rug.nl/ggdc/productivity/pwt/?lang=en
Independent variables	Natural Resources Rents (% GDP)	Total natural resources rents are the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents and forest rents.	World Development Indicator, World Bank https://databank.worldbank.org/source/world-development-indicators#
	Financial Development Index	It measures and analyses different factors that enable the development of financial systems among different economies	IFS -International Financial Statistics https://data.imf.org/?sk=F8032E80-B36C-43B1-AC26-493C5B1CD33B
	Population	Total Population	World Development Indicators, World Bank https://databank.worldbank.org/source/world-development-indicators#
	Trade Openness	(Imports + Exports)/GDP	World Development Indicators, World Bank https://databank.worldbank.org/source/world-development-indicators#
	Corruption	The inverse of Control in Corruption index	ICRG- International Country Risk Guide https://www.prsgroup.com/explore-our-products/icrg/

Figure (1) below shows the TFP in the selected four Gulf countries. The TFP of UAE faces fewer fluctuations than other countries over the period mentioned. TFP in UAE is high on average among the other countries, but there is a decrease in 2018 compared with the 1984 value. As in 1984, the TFP of UAE was 1.28 and 0.98 in 2018, showing a sharp reduction over the period. The TFP is high in Qatar, followed by KSA and UAE, but it also faced a sharp decrease, as it was 1.13 in 1984 and 0.51 in 2018. The TFP of Kuwait faced sharp fluctuations, mainly in the war period of 1991 when TFP reached its minimum level. Another massive reduction in the TFP of Kuwait was from 0.96 in 1984 to 0.61 in 2018. KSA's TFP was 0.86 in 1984 and 0.63 in 2018. Moreover, Qatar faced a huge reduction in TFP in the studied period; it was 1.13 in 1984 and 0.51 in 2018.

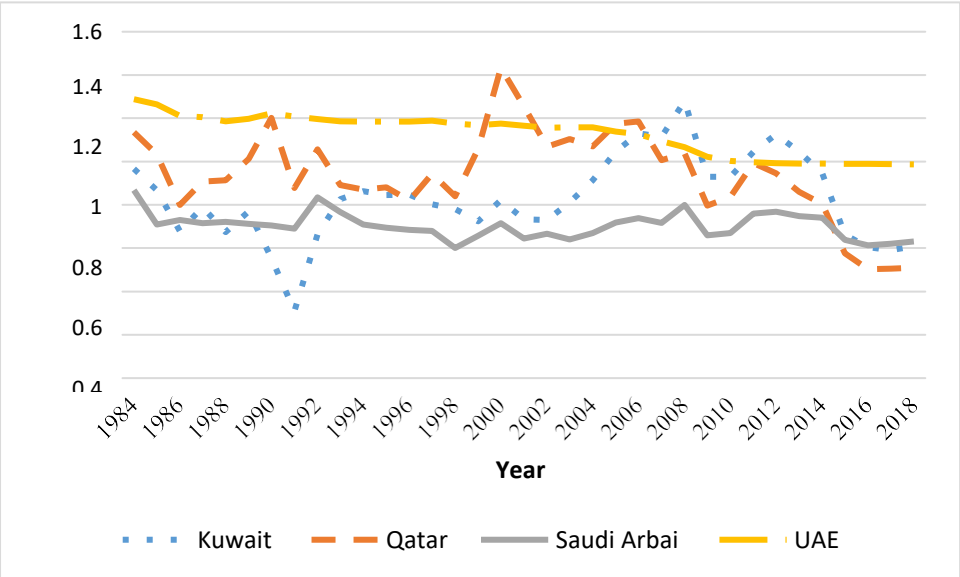


Figure 1: Total factor productivity trend in the selected Gulf Countries from 1984-2018

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Moreover, figure (2) below shows the trend of financial development (FD) in GC, which is approximately similar to TFP. Financial development in UAE faced a considerable rise over the studied period, with a maximum value of 84.4 in 2009 and 21.75 in 1984. The financial development of Kuwait remained high during the period among other countries; however, its trend showed sharp fluctuations. The lowest level of FD in Kuwait was 17.16 in 1993, which was post- war, while the highest level was in 2016 compared to the other countries. FD in Kuwait was 72.43 in 1984 and 89.32 in 2018. The trend of FD in Qatar shows an average level among other countries; it was 28.77 in 1984 and 77.06 in 2018. KSA's financial development trend increased over the period. It was 14.14 in 1984 and 49.83 in 2018.

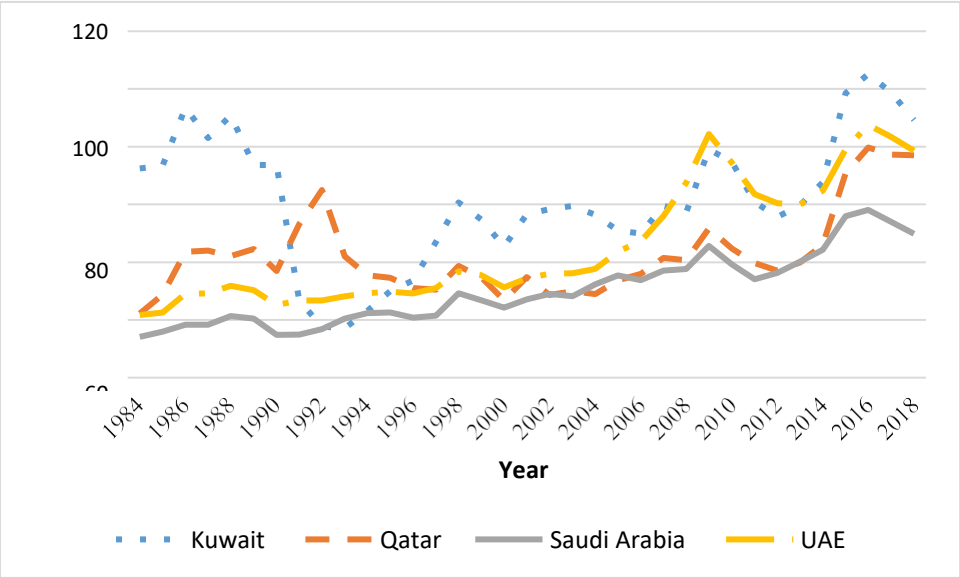


Figure 2: Financial development in the selected Gulf Countries from 1984-2018

Furthermore, figure (3) shows that the trend of resource rents had sharp fluctuations in approximately all the studied countries over the period from 1984 through 2018, where the lowest level was for UAE and the highest level was for Kuwait except in 1991. Kuwait's resource rents were 45.42 in 1984 and 42.13 in 2018. KSA and Qatar's trends show similarities except for some years. Qatar's resource rents showed a considerable decrease over the period, as it was 50.69 in 1984 and 20.54 in 2018. The resource rents of KSA were 34.63 in 1984 and 27.48 in 2018. The resource rents of the UAE were 23.38 in 1984 and 16.03 in 2018.

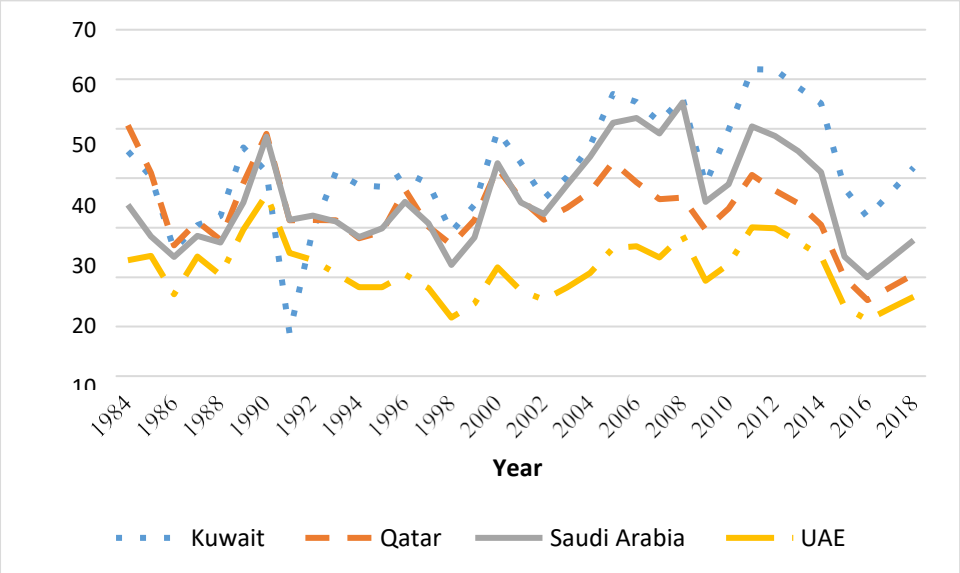


Figure 3: Resource rents in the selected Gulf Countries from 1984-2018

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Table 2: Descriptive analysis of the selected Gulf Countries

Kuwait						
	Corr.	OP	FD	RR	POP.	TFP
Mean	2.757143	0.724438	61.56415	42.09988	2452364	0.829986
StDev.	0.384079	0.069521	23.06325	11.26677	777370.3	0.196157
Min.	2	0.531303	17.1625	8.682839	1605901	0.309721
Max.	3	0.853516	105.1868	62.04703	4137309	1.2801
Qatar						
	Corr.	OP	FD	RR	POP.	TFP
Mean	2.469048	0.749343	42.69671	33.09315	1105440	0.94054
StDev.	0.705396	0.090446	14.76614	7.858425	837844.6	0.209804
Min.	2	0.575835	22.28938	15.35258	341272	0.503247
Max.	4	0.876443	79.76061	50.69461	2781677	1.433439
KSA						
	Corr.	OP	FD	RR	POP.	TFP
Mean	2.307143	0.597228	30.3158	35.80453	22282595	0.70435
StDev.	0.442587	0.099529	12.38768	9.709807	6227311	0.060082
Min.	2	0.451887	14.14612	20.03072	12418834	0.601326
Max.	3.333333	0.824545	58.11449	55.31184	33699947	0.868255
UAE						
	Corr.	OP	FD	RR	POP.	TFP
Mean	2.686905	1.039749	45.45394	21.46763	4692465	1.126676
StDev.	0.740984	0.371433	20.79456	5.790963	3096863	0.093216
Min.	2	0.502657	21.7559	11.3467	1293971	0.986672
Max.	4	1.65286	87.60196	36.70007	9630959	1.288048

The descriptive statistics of the studied GCC countries are shown in Table 2 concerning variables. Kuwait shows an increased average of corruption control among the other countries by 2.75, followed by UAE, Qatar and KSA, respectively, which shows that Kuwait has strict regulations to control corruption. Also, the average rate of resource rents is high in Kuwait in compared to the other GC. The average rate of trade openness is high in UAE, which explains the high levels of its financial development, though Kuwait showed a higher level of FD. Then, UAE offers another high level of TFP that could result from its high trade openness. UAE also indicates a higher value of SD for corruption and trade openness, while Kuwait offers a higher value of SD of financial development, followed by UAE. Resource rents show high variations in Kuwait, but TFP shows high variations in Qatar among the other GC. The minimum level of corruption is the same for all the studied countries, while the maximum level is high in UAE. The trade openness of UAE is the maximum, while the minimum trade openness is in KSA. Financial development shows a maximum value in Kuwait, followed by UAE. Resource rents offer a maximum value in Kuwait, followed by KSA. The maximum value of TFP is presented in Qatar compared to the GC.

III. Results and Discussion

The results of GMM estimation are presented in Table 3. The present study takes the financial development (FD), resource rents (RR), corruption (CORR), trade openness (OP) and population (POP) as independent variables. The RR and FD indicate a positive and significant relationship with TFP. The coefficient value is 0.47 and 0.43, showing that a one percent increase in RR and FD causes an increase in TFP by 0.47 and 0.43 percent, respectively. The results of FD and its association with productivity are aligned with the previous studies, e.g., Guillaumont et al., (2006) and Wang (2021), who find that FD enhances TFP and growth in China. Bist (2018) considers that FD increases the level of productivity and the standards of living of the general populace in the African regions. Also, the resource rents' results align with recent studies conducted by Aljarallah (2020a, 2020b). The coefficient of log of CORR shows a significant negative association with TFP. The coefficient value is 0.26, indicating that a one percent increase in CORR decreases TFP by 0.27 percent. These results support the findings of Teoman et al., (2020). The OP affects significantly and positively the

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TFP by 0.47 percent. Then, TFP is affected negatively by the POP.

A one percent increase in POP causes TFP to increase by 0.07 percent in GC. The present study uses the lag of RR and FD as instrumental variables to control endogeneity. The validity of the instrument's variable is checked through J- statistics and the probability of J-statistics is greater than 0.10, which means that the instruments are valid.

Table 3: Empirical Results

Variable	Coefficient	t-statistics
LOG(FDI)	0.435572**	2.860901
LOG(RR)	0.475844**	2.848990
LOG(CORR)	-0.268862**	-3.076152
LOG(OP)	0.478889***	6.594613
LOG(POP)	-0.073763***	-4.728558
C	1.34890***	5.70620
R-squared	0.305666	
Prob(J-statistic)	0.26577	

*Note: *, **, and *** indicate significant at 10, 5 and 1% respectively.*

IV. Conclusion

The present study estimates the impact of financial development and resource rents on total factor productivity in Gulf Cooperation Council countries. We used the panel data from 1984 to 2019 and applied the GMM approach. The variables of population, corruption and trade openness were used as control variables. The results indicate that financial development and resource rents positively affect total factor productivity in Gulf countries. Moreover, the results show that increasing trade openness contributes positively to total factor productivity. However, corruption and population negatively affect productivity.

The results are particularly significant for the governments in resource-rich nations that intend to manage the enormous earnings from natural resources sustainably. This research proves that when resource earnings are managed appropriately, TFP could be enhanced. Moreover, bettering the state of law and order, reducing corruption, and improving the institutional environment are urgent needs that must coexist with any aspirations for further development. Additional efforts must be applied to identify effective ways to raise institutional quality at the national level, ensuring long- term growth and development.

The impacts of natural resource dependency on economic growth are by no means comprehensive and universal. The wealth of natural resources can impact growth positively or negatively as noticed in the theoretical analysis and the statistical verification. There are several factors that determine growth across countries, and they are correlated in multi-dimensional ways, which creates an entirely different case in every country. Thus, it is important to highlight these factors when considering the challenges of resource dependency.

Therefore, this research recommends financial reforms and developments that should consider the importance of money, maximize the investment choices of key market participants, and regulate the rational use of resources. Second, it is suggested that policies such as interest rate policy, exchange rate policy and market pricing policy should be better aligned to improve the ability of financial institutions. Third, the banking industry should lower the entrance requirements to accommodate the multiple demands for financial resources made by multiple financial authorities. Fourth, the capital market's structural efficiency and financial systems' standardization should be improved to increase the availability of finance for businesses involved in technological innovation. All things considered, the governments should understand the regional mismatch between TFP growth and economic growth due to an imbalanced regional financial development.

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Social is the New Financial: How Social Media Influence the Growth of Start-UPS

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Abstract- Social Media taking the center-stage has augmented over the last decade in the arena of Business Development, in an exponential progression. It has been observed to be a pioneering force in determining the success as well as buoyancy of businesses in the long-run. A theoretical exploration of the relevance of social media working as a catalyst- promoting innovation in the Indian Start-up Ecosystem shows that it has facilitated the progression of not just countless budding entrepreneurial ventures by providing an audience to entrepreneurs pitching novel ideas, but also the economy as a whole, articulated by it hitting the right notes in people who have a stake in the country's future. This paper serves to compile relevant literature and provide a theoretical scrutiny of how social media has leveraged the Indian Start-up Ecosystem along with elucidating on how it has complemented policies directed towards improving the Start-up Economy in the country.

Index Terms: social media marketing, entrepreneurial culture in india, india's 19- point action plan, indian start-up ecosystem, theoretical approaches.

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Social is the New Financial: How Social Media Influence the Growth of Start-UPS

Poluru Divya Sai [α] & Tarun Tiwari [σ]

Abstract- Social Media taking the center-stage has augmented over the last decade in the arena of Business Development, in an exponential progression. It has been observed to be a pioneering force in determining the success as well as buoyancy of businesses in the long-run. A theoretical exploration of the relevance of social media working as a catalyst- promoting innovation in the Indian Start-up Ecosystem shows that it has facilitated the progression of not just countless budding entrepreneurial ventures by providing an audience to entrepreneurs pitching novel ideas, but also the economy as a whole, articulated by it hitting the right notes in people who have a stake in the country's future. This paper serves to compile relevant literature and provide a theoretical scrutiny of how social media has leveraged the Indian Start-up Ecosystem along with elucidating on how it has complemented policies directed towards improving the Start-up Economy in the country.

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I. Introduction

More start-ups with innovation and modernization will emerge in the next years, with the ability to transform the global economy. Start-ups can happen anywhere, and the countries with the greatest needs are often the ones with the most prospects. In impoverished countries, struggling nations, and countries that are new to the entrepreneurship environment, start-ups are at the grass root level. Such surroundings imply a plethora of issues that start-ups might exploit, not just to generate revenue, but also to effect change in the environment and make an imprint in a suffering economy. Entrepreneurship is the only option to boost a country's economic progress. A tiny business idea can grow into a major revolutionary solution. A small start-up idea can grow into a major revolutionary solution that has the potential to influence the economy's future. Small businesses, such as start-ups, play a crucial role in economic growth. This is because they create jobs, which implies lower unemployment rates, and lower unemployment indicates a more refined and developing economy. Because new entrepreneurs have innovative ideas to propose, start-ups create competition and urge individuals to be more pioneering and inventive. This encourages even greater invention and innovation.

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Over time, start-ups create new industries, and if they go far enough, they can become' money-making engines,' not only for the owners, but also for the employees and shareholders. Hundreds of Google employees have become worth more than $5 million, as we can see. Alibaba (a multinational corporation holding company with a diverse array of businesses around the world) single-handedly transformed the trading landscape for small and medium-sized firms (smes) in china, a country known for its numerous trade entry hurdles at the time. As the number of start-ups rises, so does the level of rivalry among them. Healthy competition, on the other hand, is important for start-ups and their clients to curate the startup ecosystem. Many start-ups have already adopted cutting-edge technology such as the internet of things, artificial intelligence, and robotics, among others. Nowadays, the majority of technological giant corporations outsource their duties to start-ups, which helps start-ups increase their cash flow.

It has never been easy to start a business, not now and not in the past. to attract consumers to start buying from a store, it takes a lot of effort and dedication in terms of time, money, and resources. the challenges faced by start-up enterprises in marketing their businesses a few decades ago were numerous. They had to be very careful in dividing the resources and money spent on marketing, from setting the pricing to determining distribution routes and explaining product attributes and quality. The current period and its business experts, on the other hand, place their trust in technologically improved tools. here's where social media comes in, where over 2.8 billion active users all around the world may make or ruin your business. it cannot be argued that it is a strong instrument that alters the way start-ups operate. Though a start-up must have a novel business strategy, it must also communicate the appropriate message to the right people, and this method of reaching out to the right individuals is not only original but also effective. The impact of social media on the creation of new businesses is so powerful that it has been hailed as the true source of buyer contact.

The social media platform attracts a large number of people who are looking for items and services. This becomes a powerful method of selling businesses since it allows you to generate high-quality leads that can quickly be converted into paying

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consumers. Customers will associate with a brand more closely if start-ups communicate with them on social media. Social networks not only allow users to interact across social and geographical borders, but they also stimulate the easy sharing of user-generated content. As a result, the business community becomes just as vital as the customers. Having a huge number of blog and website followers puts you in a better position to establish a powerful brand. Buyers are constantly more curious to learn about the face and story behind a start-journey, up's and social media is a wonderful method to humanize a brand and allow consumers to engage with it on a more personal level. A simple logo on a brochure may not be enough to pique the consumer's attention, but offering glimpses of ongoing initiatives and behind-the-scenes on social networking platforms may be enough to pique their interest.

A startup, on the other hand, should always prioritize quality over quantity; as a result, benefits should be prioritized, i.e., giving consumers with something useful, shareable, and intriguing. "Social tools are undoubtedly useful for start-ups," says Larry Weber, co-author of The Digital Marketer. Companies must be able to wrap their products and services in well-designed experiences that people can get enthusiastic about and share with their peers for society to be effective."

Burberry, for example, has used Burberry Kisses to market their new cosmetic range to shoppers. It was a social experience that used facial recognition technology to allow users to offer kisses digitally to anyone they chose. Sending was an experience in which the one sending the kiss may choose from Burberry's latest beauty collection lipstick hues for their lip print. The sender could see their message travelling through a three-dimensional world, a landscape that included local landmarks and street views, until it arrived at its destination, thanks to location data.

The social media tool allows you to analyse and optimise your material as you go. Start-ups not only go through a learning curve, but they also learn from their errors. It is possible to learn about what their competitors are doing and what is working for them. Similar interesting phenomena of social media marketing relevance can be observed in the domain of the Indian Start-up Ecosystem, and many epoch-making efforts have been undertaken by relevant stake-holders in the country, be it the government or emerging entrepreneurs, who have put in immense effort to preserve this novel cultural manifestation. According to a survey conducted by UK-based accounting firm Sage, Indian Institute of Technology is the world's fourth highest creator of billion-dollar start-ups. alumnus of IIT Flipkart, Snapdeal, shop clues, ola, and Zomato are among the 12-billion-dollar start-ups. Start-up India creates a lot of buzz and opens up a lot of possibilities for the future. India recognized the harsh realities of modern business, as well as its complexity. The central government attempted to solve the issues confronting young, enterprising Indians, whose propensity to take risks is unrivalled around the world. The entrepreneur encountered a number of impediments, including policy gridlock and a lack of openness. In start-ups, technology plays a predetermined role. Today, the Internet-driven industry provides $30 billion, a fraction of the $250 billion expected by 2020. During the same time span, the internet business in the United States may increase from $240 trillion to $3.5 trillion, while China's could grow from $700 billion to 1.5 trillion. The magnitude of change that a startup may bring is enormous and exponential.

Social media is a significant public relations instrument that allows for two-way engagement with stakeholders, according to key literature., and it's a method of generating corporate value (Berthon et al., 2012). It is used to communicate with primary and secondary stakeholders, as well as internal and external stakeholders (Jurgens et al., 2016). (Reilly and Hynan, 2014). It aids businesses in communicating with stakeholders and exchanging information, selling their products, receiving customer feedback, enhancing customer relations, and developing investor ties. Internal communication can be improved with the use of social media within a corporation. To fully profit from these tools for this goal, businesses must restructure their structure, procedures, and culture in such a way that they develop an open and horizontal structure with a trust-based culture (McKinsey, 2012).

However, 2015 has proven to be a year that has served as a wake-up call to all and has significantly altered the dynamics. The year also set the tone for the following phase of the startup ecosystem's evolution. The maturity in decision-making that should ideally come in at this point would be a positive move in the right direction, propelling India's startup scene to greater heights, as it deserves. Prime Minister of India has announced that start-up is backbone of India on the occasion of national start-ups day January 16, 2022. Government of India is taking active participation in promoting the start-ups in India under the self-reliance movement. The Government of India had introduced Stand up India, Start-up India, and Make in India to encourage the young and new entrepreneurs. The Government of India solved the issues around Angel Tax. Also, the tax procedures have been simplified. GoI now allows self-certification and has removed more than 25,000 compliances. In 2013, only four thousand patents were approved. However, in 2020-21, more than 28,000 patents have been registered. In 2013-14, 70,000 trademarks were registered. However, in 2020-21 more than 2.5 lakh trademarks were registered.

India has climbed the ladder from the 46th spot in Global Innovation Index from 81st rank. Due to the ubiquity of IT and the internet, there is a distinct activity

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in the start-up arena in India, in addition to government initiatives. Many new businesses are forming in the service sector, such as education, legal services, retail, insurance, and health care. The popularity and feasibility of start-ups is no longer a daunting proposition for an entrepreneur, as clients become aware of the benefits and convenience. A few venture capitalists and angel investors are bullish about Indian start-ups, seeing a lot of promise and expecting a few to become unicorns (highly valued companies) with significant returns. On the other hand, there are examples of a few start-ups that failed and finally shut down owing to a variety of concerns and challenges. India, being a huge country with a population of over 130 million people, has significant demographic benefits due to its enormous youth population. According to a recent UN report, India has the biggest concentration of youth population, with 356 million 10-24 year-olds, who would be the driving force behind innovation and creation, with commensurate demand and consumption of goods and services (Mittal, 2014).

This paper aims to investigate current changes in the Indian start-up ecosystems and to shed light on the impact of start-ups and other related government initiatives on the country's innovation culture.

II. Literature Review

Digital business strategy: toward a next generation of insights: This study theorises and empirically investigates how the intensity, richness, and responsiveness of a company's social media initiatives influence consumer behaviour (engagement and attention) and firm performance. Researchers found that the richness and responsiveness of a firm's social media efforts are highly associated with the firm's market success, as measured by anomalous returns and Tobin's q, using detailed data collected from the Facebook pages of 63 firms over the 2010-2012 timeframe. Interestingly, the intensity of a company's social media initiatives has little bearing on its performance. They also discovered that customer involvement and attention not only have a direct impact on corporate performance, but that they also serve as a mediator between a corporation's social media initiatives and its performance. Unlike previous studies that looked at the impact of third-party or consumer-initiated social media, such as blogs and consumer ratings, our research focuses on estimating financial returns on firms' own efforts on firm-initiated social media, allowing us to directly assess the business value of social media.

Entrepreneurial Adaptation and Social Networks: Evidence from a Randomized Experiment on a MOOC Platform: Although social connection is important in the effectuation process, they are unaware of the consequences for effectuation when an entrepreneur engages through specific channels such as social media. To close this gap, our paper use an inductive, theory-building methodology to establish hypotheses on how entrepreneurs' effectuation processes are affected when they utilise Twitter. Twitter is a microblogging service that allows for a significant increase in contact. They claim that Twitter-based engagement can lead to effectual cognitions, but that too much contact can lead to effective churn. They also claim that one element, perceived time affordability, affects how much social contact an entrepreneur engages in via Twitter. They also offer two criteria that can help to reduce the effects of social interaction on Twitter. Community orientation and conformity to community norms are two of these elements. It is examined what this means for our knowledge of effectuation, social interaction, and the impact of social media on entrepreneurial enterprises.

Does social media Enhance Firm Value? Evidence from Turkish Firms Using Three Social Media Metrics: The impact of social media on firm value in an emerging market scenario is investigated in this study. The study highlights the new phenomena of increased value to enterprises through the use of social media, which allows contact with stakeholders in terms of financial and non-financial achievements, as well as organisational difficulties, at cheap cost and in a direct and fast manner. The sample is made up of Turkish companies who are listed on the BIST 100 Index of Borsa Istanbul for the year 2014, and it is based on three social media metrics: the creation of a social media account, the breadth of social media participation, and the depth of social media involvement. The findings suggest that social media involvement depth has a substantial positive link with business value, however social media account ownership and social media engagement. breadth do not have a statistically significant relationship. These data suggest that opening social media accounts and placing symbols for numerous social media on company websites, which is currently a craze and fashion, may not always result in a benefit. Strong engagement for corporate reasons, on the other hand, will yield the desired results and rewards. As a result, the study has implications and recommendations for businesses that are already using or considering adopting social media.

The Effect of Social Media Marketing Content on Consumer Engagement: Evidence from Facebook: Using a large-scale field study on Facebook, the authors evaluate the impact of social media content on customer engagement. Using a combination of Amazon Mechanical Turk and state-of-the-art Natural Language Processing algorithms, they content-coded over 100,000 unique messages across 800 companies connecting with Facebook users. They use this enormous database of content qualities to test the impact of social media marketing material on

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subsequent user interaction with the messaging, as measured by Likes and comments. They create techniques to account for potential selection biases caused by Facebook's Edge Rank filtering algorithm, which assigns messages to users non-randomly. They discovered that including persuasive content, such as emotional and charitable information, boosts message engagement. They discovered that informative content, such as pricing, availability, and product features, decreases engagement when used alone in messages, but increases engagement when combined with persuasive attributes. As a result, persuasive material appears to be the key to successful engagement. The methodology they establish to content-code large-scale textual data provides a framework for future studies on unstructured natural language data such as advertising content or product reviews, and our findings guide content creation strategies in social media.

III. Objectives

In concurrence with the Project Title, the following objectives serve as the basis of the study:

- To study how funding activities in India has evolved over the years from 2010-2020 in India.
- Conceptualize the relevance of social media (Twitter, Instagram, Facebook, LinkedIn) in enabling the foundation of start-up ecosystem in India.
- To explore and perform an in-depth analysis of the performance of the start-up's ecosystem in India.

IV. Research Methodology

For the purpose of the study, relevant literature aligned with the project topic has been compiled from numerous reputable sources gathered online. The research design employed concurs with an exploratory research framework used to draw conclusions from the available literature to comprehend the recent developments within the start-up ecosystems in the country,

Also, the paper provides a unified compilation of qualitative secondary data regarding relevant efforts and policies undertaken by key stake-holding institutions be it private or public.

V. Data Analysis and Findings

a) Key plans and schemes under the start-ups India programme

Start-up India is a flagship initiative of the Indian government aimed at fostering entrepreneurship and innovation. The government intends to use this effort to empower start-up companies across India in order to stimulate entrepreneurship, economic growth, and employment.

The government's Action Plan aims to boost the growth of start-ups across India, in all critical sectors – in Tier 1, 2, and 3 cities, as well as semi-urban and rural areas – and promotes entrepreneurship among SCs/STs and women. Due to the long gestation period for start-ups, the definition of a start-up has been revised under the Start-up India initiative, with an entity being regarded a start-up for 7 years, up from 5 years previously, and a biotechnology start-up for up to 10 years from the date of incorporation.

The keypoints of the Prime Minister action plan for start-ups India program includes:

- Elf certification-based compliance regime - Self Certification Payment of gratitude, Contract labour, Employees Provident Fund, Water, and Air Pollution Acts, among other labour and environmental regulations, had been introduced. In addition, there would be no inspections for the first five years of the venture's inception to alleviate the weight of revolution on start-ups.
- Start-up India Hub- A hub for start-ups in India. A single point of contact for the whole start-up ecosystem has been established in India, allowing for knowledge sharing, the creation of a knowledge and experience pool, and access to funding.
- Streamlined start-up procedures—the procedure for starting a firm has been simplified. To be recognised as a start-up, no letter of reference from an incubator or industry group is required.
- Patent protection – for start-ups, the government has simplified the patent application and registration process. Patent applicants receive free legal services and a reimbursement of 80% on their patent application fees. To help start-ups save money during their vital formative years, the government has changed the trademark rules in 2017 to grant a 50 percent discount on trademark feeling fees to new businesses.
- Simple exit policy - India's insolvency and bankruptcy board has been established, and insolvency resolution provisions have been enacted. Saxon 55 to 58 of the Insolvency and Bankruptcy Code, 2016 deal with the fast-track liquidation and wound up of a business within ninety days after filing an application.
- A fund of funds with a corpus of INR 10,000 crore- the government has established a fund of funds with a total corpus of INR 10,000 crore, which is managed by SIDBI, to give finance support to innovation-driven firms.
- Start-up credit guarantee fund- to encourage entrepreneurship by providing credit to innovators from all walks of life, a credit guarantee fund will be established through the National Credit Guarantee Trust Company [NGTC] / SIDBI with a budgetary corpus of INR 500 crores per year for the next four years.
- Capital gain tax exemption-section 54 EE of the Financial Act of 2016 and section 54 GB of the

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Income Tax Act of 1961 have been revised to offer capital gain tax exemption if the sale profits are placed in a government-recognized fund.

- 3 year text exemption for start-ups - to assist start-ups in their first year of operation, earnings of start-ups that close after April 1, 2016, are exempt from income tax for a period of 3 years in a block of 7 years.
- The investment of a venture capital fund in a start-up that has a fair market value has been tax-free. To encourage creativity The Atal Innovation Mission (AIM) has been launched, with four awards to be given out. A major innovation challenge award has been established for finding low-cost solutions to India's intractable challenges.
- Various award schemes, such as the UCCHATAR AAVISHKAR YOJNA (UAY), the MILLION MINDS AUGMENTING NATIONAL ASPIRATIONS AND KNOWLEDGE (MANAK) SCHEME, and the SMART INDIA HACKATHON, have already begun and have attracted active participation from active minds all over the country. Around 1,00,000 INSPIRE-MANAK recipients competed at the district and state levels in 2017, while 7500 teams with over 40,000 students participated in the smart India Hackathon, a 36-hour nonstop digital programme event.

b) *Launch of Start-ups India Action Plan Start-ups India's 19- Point Action Plan*

Start-up India is about bringing wealth to the country. Many enterprising persons who want to establish their own business don't have the financial means to do so. As a result, their ideas, creativity, and potential go unexplored, resulting in a loss of wealth, economic progress, and jobs for the country. Start-up With initiative-taking support and incentives at several levels, India will assist enhance entrepreneurship and economic development by ensuring that people with the potential to create and start their own firm are encouraged.

START-UP INDIA'S 19-POINT ACTION PLAN ARE AS FOLLOWS:
1. Self-certification compliance,
2. single point of contact via Start-ups India Hub
3. Simplifying processes with mobile app and portal (for registration, filing compliances & obtaining information)
4. Legal support, fast tracking & 80% reduction in patent registration fee
5. Relaxed norms of public procurement
6. Easier & faster exit
7. Funding support via a fund of funds corpus of INR 10,000 crore
8. Credit Guarantee Funding
9. Tax exemption on capital gains
10. 3-Year income tax exemption
11. Tax exemption on investments above Fair Market Value (FMV)
12. Annual start-ups fests (national & international)
13. Launch of world-class Innovation Hubs under Atal Innovation Mission (AIM)
14. Set up of country-wide incubator network
15. Innovation centres to augment incubation and R&D
16. Research parks to propel innovation
17. Promote entrepreneurship in biotechnology
18. Innovation focused programs for students
19. Annual incubator grand challenge

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Prime Minister Narendra Modi announced the Start-up India Action Plan on January 16, 2016, to highlight many initiatives and plans suggested by the Indian government to foster innovation and empower start-ups across the country.

The 19-point Action Plan envisages several incubation centres, easier patent filing, tax exemptions, ease of setting-up of business, an INR 10,000 crore corpus fund, a faster exit mechanism, among others.

Over 1500 CEOs, Start-up founders and investors who attended the Start-up India launch included:



c) *Scope of Start-Up India in promoting entrepreneurial culture in India*

- Between 2016 and 2019, 15,113 start-ups were recognised under the Start-up India programme throughout 492 districts in twenty-nine states and six Union territories.
- Fifty-five percent of the recognised start-ups are from Tier 1 cities, 27 percent from Tier 2 cities, and 18 percent from Tier 3 cities.
- In the last three years, the government has implemented twenty-two regulatory adjustments and approved 1,275 patent rebates.
- Forty-five percent of recognised start-ups have at least one or more women directors
- 24 Indian states have introduced a start-ups strategy
- The Start-up India Hub has over 288.16K registered users
- The Start-up India Hub has answered 121.83K enquiries and assisted 673 start-ups.
- More than 233.27K have registered under the start-up India learning programme.

The Start-up India Action Plan aims to create a robust support ecosystem that promotes the growth of start-ups and encourages the spirit of entrepreneurship in India. It placed a strong emphasis on self-compliance, making the Start-up India Hub team a vital stakeholder in the ecosystem, allowing them to work in a hub-and-spoke model and collaborate with multiple enablers.

The Indian government took the first move toward making start-ups a viable source of income, rather than just a 'jugaad', by introducing the Fund of Funds, which is worth INR 10,000 crore (a Hindi word meaning an improvised or impromptu solution to something). It also encouraged the country's youth to consider entrepreneurship as a viable career option.

Simultaneously, the government think tank NITI Aayog created the Atal Innovation Mission to encourage grassroots innovation among budding businesses. A total of 5,441 Atal Tinkering Labs have been established across the country as part of this initiative. In the 2018 Union Budget, the government set aside $480 million (INR 3414.19 crore) for new-age technologies in order to boost innovation in India's startup ecosystem.

Start-ups were defined and redefined under the Start-up India programme. For example, the age of start-ups was raised from 5 to 7 years (10 in the case of biotech). The government has taken a number of steps to support the country's expanding start-up culture, including expediting patent filings, income tax exemption, and self-certification. It also launched the Start-up India Hub to bridge the gap between various

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stakeholders of the start-up's ecosystem. Since majority of the achievements have been made public by the Government through their designated websites and social media handles, this helps to incentivise the inception of further start-ups in the country because it not only provides recognition to the existing entrepreneurs but also motivates the potential entrepreneurs to start their own venture, which not only ensures self-sustainability, but also increases investor confidence in the economy.

d) Role of Social Media Marketing in Indian Start-up Ecosystem

Over the years, marketing has changed drastically with bringing in the new trends of the digital age. Since the time marketing has turned digital, it has made a revolutionary impact with making the internet a linking platform for billions of lives across the globe. The digital media is constantly in an ebb and flow of change.

On the other hand, the usage of social media sites has doubled the connectivity and the idea of digital marketing. Innovative new web services have sprouted up, creating a transcendental shift and the born of new devices has emerged as boons for the marketing world, thus allowing them to quickly adapt to the changing landscape and take full-fledged yet impressive advantages.

According to a report produced by Statista, India's internet penetration rate climbed from 4% to 50% between 2007 and 2020. Individuals, businesses, and markets have all benefited from the use of social media as a source of information. Social media offers a different avenue for marketing communication, allowing businesses to establish brands and interact with customers. In the context of existing enterprises and product marketplaces, the efficiency of social media for selling goods and services has been particularly well-studied (Aral, Dellarocas, & Godes, 2013; Bharadwaj, El Sawy, Pavlou, & Venkatraman, 2013). However, there have been few studies on the usage of social media by emerging businesses or the importance of social media in capital markets.

Social media serves as a platform for information exchange, providing solutions to market participants' costly search and information shortage issues. Start-up companies can use social media to promote themselves and boost awareness of their existence among possible investors, allowing investors to find more early-stage initiatives and broaden their pool of potential investment prospects. Furthermore, investors can use start-ups' social media activities as an extra source of information when evaluating investment options.

Popularity on social media, for example, could reflect a startup's ability to attract certain client groups, create a brand identity, and incorporate customer feedback. Such favourable social media content demonstrates solid quality to investors and enhances their expected return on investment, increasing the start-prospects up's of obtaining finance.

Regulators are also paying attention to social media's expanding significance as a source of investing data. Historically, start-ups' capacity to make public offers or solicitations to sell stocks, including on social media platforms, was restricted. However, the use of social media in place of traditional information sources like press releases has created ambiguity in the concept of suitable investor communications.

There have been few studies on the usage of social media by emerging businesses or the function of social media in capital markets. Rather, present social media research focuses mostly on marketing outcomes and established businesses. Social media, according to studies (Aral et al., 2013; Chevalier & Mayzlin, 2006; Dellarocas, Zhang, & Awad, 2007; Forman, Ghose, & Wiesenfeld, 2008; Zhu & Zhang, 2010), promotes word-of-mouth information diffusion and serves as a platform for greater consumer engagement with a product or brand (Chen, De, & Hu, 2015; Ghose& Han, 2011; Goes, Lin, & Au Yeung, 2014; Li & Wu, 2014; Miller & Tucker, 2013).

Recent research has found a correlation between social media participation and corporate success via marketing effectiveness mechanisms (Chung, Animesh, Han, & Pinsonneault, 2014; Goh, Heng, & Lin, 2013; Luo, Zhang, & Duan, 2013) and social media analytics value extraction (Hitt, Jin, and Wu, 2015). However, with the notable exception of related work by Aggarwal et al. (2012), who examine social media mentions of a firm (particularly on blogs) and venture financing, there are few studies directly examining the use of social media by and its effect on early stage firms. They find that negative electronic word-of-mouth has a greater impact than positive electronic word-of-mouth, and that the effect on financing decreases as a firm progresses to later stages of financing. The impact of startup enterprises' direct use of social media for corporate promotion on the likelihood of funding is investigated in this study, with a particular focus on the function of social media in changing the costs or benefits of physical proximity.

Case Discussion of Shark-Tank India exemplifying the importance of Social-Media Marketing for promoting Start-up Ecosystem in the country:

The show 'Shark Tank India' has caught quite a frenzy among the masses in no time – thanks to the booming start-ups culture fuelled by the right policies in the country along with its wide coverage across T.V and other social media platform which has made Digital Marketing even more relevant in promoting a new venture.

In 2021, Sony Entertainment Television bought rights of the Emmy-winning ABC series 'Shark Tank' with a view to start its own version 'Shark Tank India'. The

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show first aired on television on December 16 and runs on weekdays from 9-10 PM on Sony TV. The format of the show is simple – Budding start-ups firms get to pitch their ideas for funding in front of a panel of angel investors or 'Sharks.'

The Sharks who have committed total funding worth Rs. 41.68 crore to 67 qualified budding ventures happen to be the biggest names in the business scene today. The galaxy of investors ranges from Aman Gupta (co-founder boat), Asner Grover (MD and co-founder of fintech firm BharatPe), Ghazal Alagh (co-founder, Mamaearth), Vineeta Singh (CEO & Co-founder of SUGAR Cosmetics) to Anupam Mittal (founder, Shaadi.com), NamitaThapar (Executive Director of Emcure Pharmaceuticals) and PiyushBansal (Co-founder and CEO of Lens kart).

In a very short span of time since its release, Shark Tank has hit the right notes within the aspirational, hard-working masses who have a vision and stake in India's future. What is uniquely fascinating to see, are the stories from the breadth of India taking centre stage to carve out their identity through entrepreneurial zeal. New ventures ranging from gadget start-ups to businesses in the food industry have struck awe-inspiring deals from the Sharks.

Peeschute, a venture committed to improving toilet hygiene is a company producing affordable unisex disposable urine Bags. Siddhant Tawarawala, the founder who hails from Jalna, Maharashtra has struck a deal with Aman Gupta for ₹75 lakhs against 6% Equity. Similarly, it was Skippi Pops an Ice Pops brand from Hyderabad which raised the highest ₹1 crore for 15% Equity with all five sharks investing. This also underlines the power of collaborations in the business arena.

Shark Tank India has been able to mimic Badalte Bharat Ki NayiSoch in its first season, and has been successful in mainstreaming debates around entrepreneurship. Given the show's unusual format, Sony Entertainment Television (SET) and its digital partner White Rivers Media (WRM) maintained consistent engagement with the audience throughout the season with live updates, decoding business jargon, Shark anecdotes, inspiring moments from the show, and highlighting each 'deal,' making the business reality show more inclusive and relatable to the audience.

Starting with the registration phase, WRM encouraged participation in the show by reaching out to the incubator community, college graduates, and co-working spaces. In addition, to communicate with the public, the digital agency built dedicated social media accounts on Twitter and Instagram. With its viral posts, it swiftly grew to 750K followers and became the one-stop shop for anything related to the show.

WRM also ran a 100-hour countdown on social media leading up to the show's premiere, creating excitement and urgency by sharing content that described the format and gave a sneak glimpse of the 'Sharks.' WRM used social media to engage with the show's fandom in a variety of ways, including developing the sharks through LIVE sessions, showcasing the 'pitchers' and their unique ideas, and teaching the A-Z of 'entrepreneurship' through curated content.

It was just a matter of time after the programme premiered before content creators, companies, and communities found themselves immersed in viral situations through serial content. Week after week, #SharkTankIndia was trending, and everything about it, from the Sharks to their reactions, became a tangible part of popular culture. The daily average of 1 million or more views on Reel content, combined with positive feedback, resulted in a tremendous surge in followers for SET and Sony Liv's social media sites. The show has set a new standard for Social Media Marketing in the Country. Not only that, but mutual benefit was also observed when it comes to the collaboration of the show and its advertisement across numerous social media handles and others digital platforms. Not only did the show capitalise from its promotions in social media, but also the entrepreneurs struggling to secure a limelight received overnight recognition and became a public sensation.

An example of this would be the case of Kamlesh, well known as Jugaadu Kamlesh whose video of grass root innovation in the domain of agriculture became viral as he innovated a product which could remotely spray fertilizers thereby irradicating the health hazard arising out of human contact with the fertilizers. After pitching the product with the sharks and its coverage across the show's social media handle, the discrete but promising innovator has become a household name and strike up as a role model for buddy entrepreneurs.

VI. Conclusion

The relevance as well as the scope of social media in the Business Arena has augmented over time up to the level that now it has become indispensable for the conduct as well as the buoyancy of any business. It has spurred an entrepreneurial culture, especially in an emerging economy like India by providing a face to grass-root innovation which not only provides due recognition to the innovative entrepreneurs of which they are deserving of; but also acts as a catalyst for economic growth stirred by materializing overnight success stories into a reality by incentivizing an innovative culture, as was evident from the rags to riches stories covered under the umbrella of reality shows like Shark Tank India. This way, social media has also been a pioneering force in mainstreaming debates around innovation and entrepreneurship and it serves to be a boon for a developing country like India, especially where most of the economic effort has been directed to

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incubate an entrepreneurial culture because if taken seriously, social media has the potential to materialize this effort by bringing innovation to the center stage within a very short span of time and allowing entrepreneurship to hit the right notes within the aspirational, hard-working masses who have a vision and stake in the country's future.

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Quality of Sustainability Disclosure, Signalling Theory, and Analyst Forecast

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Abstract- This paper examines the impact of the quality of sustainability disclosure (QSD) on the accuracy of analyst's earnings forecast. The study uses data from 1908 firm-year observations drawn from Egypt stock exchange covering 2009 to 2018. The results show evidence indicates that QSD mitigates information asymmetry by signalling QSD and improving the accuracy of analysts' forecast. In addition, this study distinguishes between the quantity and the quality of sustainability disclosure and examine their relationship with the accuracy of analyst forecast. The empirical results confirm that the QVD and its dimensions considered in the study framework give more realistic disclosure picture than quantity does. The results from the additional analysis also confirm the main result.

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Quality of Sustainability Disclosure, Signalling Theory, and Analyst Forecast

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Abstract- This paper examines the impact of the quality of sustainability disclosure (QSD) on the accuracy of analyst's earnings forecast. The study uses data from 1908 firm-year observations drawn from Egypt stock exchange covering 2009 to 2018. The results show evidence indicates that QSD mitigates information asymmetry by signalling QSD and improving the accuracy of analysts' forecast. In addition, this study distinguishes between the quantity and the quality of sustainability disclosure and examine their relationship with the accuracy of analyst forecast. The empirical results confirm that the QVD and its dimensions considered in the study framework give more realistic disclosure picture than quantity does. The results from the additional analysis also confirm the main result.

I. Introduction

Recently, the stakeholders' concern about sustainability disclosure (SD) has increased dramatically (e.g., Aribi and Gao, 2012; Diouf and Boiral, 2017; Friskeet al., 2022). Nevertheless, the research on the value relevance of SD to users in general and financial analysts in particular is scarce. This study examines the value relevant of SD to financial analysts when they estimate earnings for future periods using firm-level data from Egyptian listed companies. The current study argues that if quality and detailed SD would send a positive signal to stakeholder of strong sustainable performance (Dhaliwal et al., 2011; Rezaee and Tuo, 2019), then SD is expected to be more useful for analysts in assessing the firms' financial performance when the information disclosed is of high quality. Supporting this, Botosan (2004) argue that high quality disclosure is useful to the information's users in making financial decisions. High quality information also improves the ability of investors to evaluate future financial performance through considering better earnings forecasts (e.g. Dhaliwal et al., 2012; Becchetti et al., 2013; Bernardi and Stark, 2018). Recent empirical studies documented the relationship between the analysts' earnings forecasts and SD (Dhaliwal et al., 2012; Becchetti et al., 2013; Casey and Grenier, 2014; Ioannou and Serafeim, 2015; Garcia-Sanchez et al., 2019). This study is related but different from the work of prior studies in two aspects. First, Egypt has a different financial reporting environment in comparison with Western countries. Therefore, research findings for Western markets may not necessarily be applicable to the implementation of the Basic Standard in Egypt. Egyptian institutional laws, mechanism and governance are weak compared to Western countries (Reddy, 2016), it is also a fact that Egyptian listed companies have high presence of family and promoter groups ownership (Chauhan et al. 2016). Thus, research finding for Western countries may not be applicable for Egyptian context. Second, so far, prior studies employed two methods of measuring sustainability disclosure. The first method uses subjective sustainability rankings (e.g. Becchetti et al., 2013; Ioannou and Serafeim; 2015). Although of their popularity, sustainability ranking rarely evaluated and have been criticized for their own lack of transparency that helps stakeholder identify social responsible companies (Chatterji et al., 2009), in addition such ranking is not available in many countries and therefore cannot be applied widely. The second method evaluates sustainability reporting based on issuance of a stand-alone sustainability report without analysing the content of sustainability reports and evaluate the information provided to users. The issuance of standalone sustainability reports may be an attempt by management to convince powerful stakeholders that the firm is acting in the right way and socially and environmentally responsible, regardless of whether actual performance follows (Thorne et al., 2014). Unlike prior studies, this study offering new insights concerning the quality of sustainability disclosure (QSD) and its relationship with the accuracy of analyst forecast, and develops a multidimensional model to measure QSD. Second, Egypt has different financial reporting environment in comparison to Western Courtiers. This study finds evidence support the hypothesis, in fact, results of this study suggest that QSD mitigates information asymmetry by signalling QSD and improving the accuracy of analysts' forecast. The findings are also robust to the alternative measure of the attributes of analysts' earnings forecast and confirms the main results.

This study contributes to the literature in several ways. First, it extends the analyst forecast literature and the sustainability reporting literature. Prior studies show that SD is related to analyst forecast accuracy (Dhaliwal et al., 2012; Becchetti et al., 2013; Casey and Grenier, 2014; Ioannou and Serafeim, 2015). However, it is not clear whether the existence of sustainability information or the quality of sustainability information is relevant to

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analyst forecast accuracy. To the best of my knowledge, this is the first study examines whether the quality of sustainability information, as represented by the three dimensional framework, is related to analyst forecast accuracy. Second, sustainability reporting has been criticised for its lack of relevance and credibility (Husillos et al., 2011), this study seeks to contribute to this debate by developing new model to measure QSD that considers the quantity of information disclosed, the spread of SD, and usefulness of SD for users. Third, this study expands our understanding on the quantity vs quality of sustainability reporting. Study' findings suggest that it is quality of SD rather than quantity which enhance analyst forecast accuracy. Fourth, this study enrich analyst forecast literature and the sustainability reporting literature by examining their relationship in emerging economy context like Egypt.

This study proceeds as follows. The following section presents literature review and empirical studies. The description of the research method used in the paper was presented in the next section. After that, the findings sections outlines the main results and the final sections present the main discussion and implications.

II. Literature Review

Recently, internal managerial practice has been changed due to increased concern about firms' sustainability practices (Ioannou and Serafeim, 2010). Managerial disclosures about sustainability, which are quantifiable, specific, comparable, relevant and represent sustainability activities faithfully, is more likely to reflect the company's social and environmental behaviour with different stakeholders (Beattie et al., 2004). The QSD is related to disclosures that reflect companies' real commitment to sustainability strategies and thus mitigate asymmetric information (Dhaliwal et al., 2012). It has been argued that SD reduces asymmetric information, which may also mitigate the uncertainty risk, improve the financial decisions in the capital markets and enhances financial analysts' decisions (Sun et al., 2010). Wang and Tuttle (2014) indicated that financial analysts employ social and environmental disclosure to form a general impression about managers' credibility, which is related positively with the share price. However, low QSD may have negative impact on users' interest in sustainability activities (Botosan et al., 2004). If low quality information is reported by the manager, it will not enhance the judgments of analysts and other stakeholders (Dhaliwal et al., 2012). Transparency need to be increased by managers, and rhetoric statements about sustainability activities also should be improved through higher quality of sustainability disclosures (Delmas and Burbano, 2011).

Limited studies have investigated whether financial analysts use sustainability reporting to make their decisions and most of these studies are conducted using data from developed countries. For instance, Dhaliwal et al. (2012) examine the association between the analysts forecast accuracy and the stand-alone CSR disclosure by using data from 31 countries. They indicate that the stand-alone sustainability disclosure is negatively related to analyst forecast error. Becchetti et al. (2013), investigate the impact of the sustainability reporting on earnings forecast, using a sample of US companies from 1992 to 2012, they found that KLD CSR scores is positively related to the accuracy of earnings forecasts, particularly among the top CSR companies. Similarly, Casey and Grenier (2014) also provide evidence that the existence of sustainability reporting is negatively related to analyst forecast errors and dispersion. Ioannou and Serafeim (2015) also investigate the relationship between sell-side analysts' forecast and KLD CSR ratings. They used a sample of US companies over 15 years. They suggest that when analysts perceive CSR as an agency cost, due to the prevalence of an agency logic, they produce pessimistic recommendations for firms with high CSR ratings. Garrido et al., (2016) examine whether the issuance of a sustainability stand-alone report impact errors of analysts' earnings forecast in Spain. They provide evidence that the publication of sustainability reports negatively affect the error of earnings forecast. Garcia-Sanchez et al., (2019) examine whether this innovative practice provides a better reflection of a firm's social and environmental dimensions and therefore improves the forecasts made by financial analysts, who are significant stakeholders in this respect. Their analysis of an unbalanced sample of 750 international companies, located in 19 countries and operating in 22 business sectors during the years 2011–2016, in which a logistic regression is applied to the panel data, reveals the existence of a two-way relationship between the adoption of the GRI-IFC disclosure strategy and the level of analyst coverage. Moreover, the use of this strategy, and the resulting increase in coverage, has a positive impact on the accuracy of analysts' forecasts. Friske et al., (2022) examine the relationship between sustainability disclosure and firm value, as measured by Tobin's q. The results suggest that, sustainability reporting is negatively related to Tobin's q. In an analysis of sustainability reporting organizations, they find that external assurance is positively associated with Tobin's q. External audits appear to increase the credibility of reports.

One important gap in previous studies is related to the methods used to evaluate sustainability reporting which are the issuance of stand-alone report and CSR ranking. Both methods do not consider other important dimensions that distinguish the information provided to users. It is not possible to conclude the possible effects of sustainability reporting on analysts forecast accuracy

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without knowing whether sustainability disclosure conveys a quality information or not. Since singling theory suggest that the QSD could be used to mitigate information asymmetries (Watts and Zimmerman 1990; Miller 2002), it can be expected that the QSD is useful for various stakeholders and stock markets (Garrido et al., 2014). Thus, the current study argues that higher QSD will increase the accuracy of analysts' forecast. Therefore, the current study makes the main proposition as followings:

H1: QSD is positively associated with the accuracy of analyst earnings forecasts.

III. Research Method

a) Sample of the Study

The initial sample for the study is the companies in Egyptian Stock Exchange during the period from 2009 to 2018. Following prior studies (e.g., Arun et al. 2015; DeFond & Jiambalvo, 1994; Klein, 2002), financial, utilities and regulated companies are excluded because of the unique characteristics of their financial statements. Further to this, foreign cross-listed firms are excluded since they are influenced by different regulations. Firms with missing data were also excluded from the sample. The final sample consists of 1900 firm-year observations during the study period.

b) Measurement of QSD

The current study adapts the framework proposed by Beattie et al. (2004) for voluntary disclosure to measure sustainability disclosure. Their framework, consist of two dimensions: (i) the quantity of voluntary disclosure (ii) the spread of voluntary disclosure. In line with their work, this study develops a framework to captures three dimensions: (i) the quantity of sustainability disclosure (what and how much is disclosed) (ii) the spread of sustainability disclosure (coverage and concentration of sustainability disclosure) and (iii) the usefulness of sustainability disclosure (the qualitative characteristics of accounting information). This framework provides evidence on the nature of a company's sustainability disclosures based on three-dimensions, which allows to capture the quantitative and qualitative features concerning a specific kind of sustainability information.

i. *The quantity dimension*

The first dimension of QSD is the actual amount of disclosure, relative to the amount adjusted by two factors, size and complexity, prior studies shows these two variables to have a strong impact on disclosure (e.g. Beattie et al., 2004; Beretta and Bozzolan, 2008). This is more likely to help for evaluating sustainability disclosure taking into account the differences in the companies' size and industry.

To measure the quantity of sustainability disclosure in annual reports, a checklist containing 25 items was constructed (see Appendix 1). The current study follow previous studies to construct this checklist. In particular, this study follow Haniffa and Cooke (2002, 2005); Ghazali (2007); Khan et al. (2013); Kansal et al. (2014); Oikonomou et al. (2015) and develop a modified checklist including the items relevant to Egyptian companies. The coding unite used in previous studies, in content analysis units of disclosure, are words, text, sentences and paragraphs of sustainability disclosure. Each technique has its own advantages and drawbacks (Campbell, 2004). Coding by sentences, paragraphs and words has been criticised on the basis that different information may be included in the same paragraphs or sentences related to the sustainability disclosure. Also, individual words are meaningless. As a result, a text unit was employed to measure sustainability disclosure in this study, which was identified by Beattie and Thomson (2007) as "part of sentence captures a piece of information''.

Following Beattie et al. (2004) the dimension of disclosure quantity is measured by using the relative number of text units, which is adjusted by two external factors, size and industry type, that have been persistently found to influence the level of disclosure. The standardised residuals from an Ordinary Least Squares (OLS) regression of the number of text units on industry and size are used as proxy of the quantity dimension.

ii. *The spread dimension*

The second dimension measures the spread of sustainability information. Using spread dimension in this framework helps to evaluate whether the sustainability information disclosed meets the need of different stakeholders or focus on specific groups.

Following Beattie et al. (2004), the current study determines the spread as a function of the sustainability disclosure coverage (COV), and sustainability disclosure dispersion (DIS). The coverage is measured by the percentage of items (sub items) filled in by at least one piece of information out of the total number of items (sub items) in the checklist. The coverage ranges from 0 (non-disclosed) to 1 and assumes its maximum value when a company makes disclosure over each of the topics (subtopics) in the checklist. COV is measured as per the following equation:

$$\text{COV} = \frac{1}{\text{st}} \sum_{j=1}^{s} \text{INF}$$

Where, INF = 1 if company i discloses information about the item j in the annual report, otherwise = 0, and s = number of subcategory. Disclosure dispersion (DIS) indicates to how concentrated disclosed items are among checklist items. DIS is defined as follows:

$$\text{DIS} = 1 - \sum_{j=1}^{n} \quad \text{Pj2}$$

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Where, Pi = proportion of disclosure of item i measured by the frequency of item disclosed in category j. The minimum value of DIS is 0 when all sustainability disclosure text units fall in one category and the value is larger when sustainability disclosure text units are spread between categories. The higher value of DIS index is the higher quality of disclosure.

COV and DIS indexes help in estimating how dispersed information and how wide is. Larger DIS and COV indexes reveal the higher spread of information (SPR). Thus, this study calculates the spread as the average of COV and DIS as follows:

$$SPR = \frac{1}{2}(DIS + COV)$$

iii. *The usefulness dimension*

The usefulness dimension helps information users to evaluate QSD by capturing the four type characteristics: the relevance, faithful representation, understandability and comparability (based upon the qualitative characteristics of information suggested in the conceptual frameworks of IFRS (2010A). To measure the usefulness of sustainability disclosure, the study develops a disclosure index based on the qualitative characteristics of accounting information suggested in the conceptual frameworks of the International Financial Reporting Standards (IFRS) (2010A)"relevance" "faithful representation," "understandability" and "comparability". This allows for measuring the QSD by the weighted method as provided in earlier studies (Alotaibi and Hussainey, 2016; Braam and van Beest, 2013)(see Appendix 2). Thus, the current study defines the Usefulness as:

$$USEF = \frac{1}{4}(Relevance + Faithfulness + Understandability + Comparability)$$

Finally, the overall index of quality is the average of USEF, SPR and STRQ as follows:

$$\text{The Quality Index of disclosure (QSD)} = \frac{1}{3}(USEF + SPR + STRQ)$$

iv. *Checking Validity and Reliability*

Special considerations were given to reliability and validity of the measurements. To enhance validity, our themes and sub-themes were carefully developed from prior studies. In addition, the items validity of the initial index were reviewed independently by three expert scholars who discussed the ambiguities raised in the review. One way of improving reliability is to use multiple coders (Holsti, 1969; Aribi and Gao 2011) and, in this study, two other coders scored the research instrument. Any problems and discrepancies that arose were discussed and resolved accordingly via a set of basic coding rules. In addition, the disclosure coding scores were checked by comparing between the scores produced by the first author with those produced by the other two coders for a sample of annual reports.

c) Measuring the accuracy of analysts' earnings forecasts

Following Lang and Lundholm (1996) and Beretta and Bozzolan (2008) this study measure the accuracy (ACCU) as follows:

$$ACCU = -(EPSt - MFt,i)/Pt,i)$$

Where,
EPS = actual earnings per share in period t,
MF = the median analysts' forecast of earnings per share in period t,
P = share price in period t

To investigate the link between ACCU and QSD, this study following Beretta and Bozzolan (2008), controlled for factors such as industry type, leverage, profitability, size, and variation in accounting earnings., the following regression models are used.

$$ACCUit = \beta0 + \beta1\ \text{Disclosure proxy} + \beta2\ SIZE + \beta3\ LEV + \beta4\ ROA + \beta5\ ChROA + eit$$

Where,
Disclosure proxies = QSD, STRQ, SPR and USFUL
QSD = the quality of sustainability disclosure score measured through employing multidimensional proxy index.
STRQ = the standardised residuals from an Ordinary Least Squares (OLS) regression of the number of text units on industry and size (based on the checklist for each company and every year).
SPR = the spread is a function of the sustainability disclosure coverage, and sustainability disclosure dispersion.
USFUL = disclosure index developed based on the qualitative characteristics of accounting information suggested in the conceptual frameworks of the International Financial Reporting Standards (IFRS) (2010A).
ROA= profitability, measured through net income from operations divided by total assets.
SIZE= company size measured through the natural log of company's total assets.
LEV= leverage ratio measured through long-term debt scaled by total assets.
Ch-ROA = the variation in accounting earnings.
ACCU = accuracy of analysts' earnings forecasts

IV. Descriptive Statistics

Table 1describes the total observations, mean, standard deviation, minimum and maximum values and median for all variables used in this study. Table 1 shows the QSD has an average of 0.533, which is consistent with previous results reported by Martinez et al. (2015). For the dependent variable, the mean value of accuracy of analysts' earnings forecast is -0.016, which is in line with the findings reported by Bernardi, et al. (2015) in the South African who found that the mean

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value of accuracy of analysts' earnings forecast is -0.0102.Table 3 also reports descriptive statistics for various firm-specific variables and shows that the mean value of company size, which is measured by log total assets, is 7.48. The mean value of the return on total assets, as measure of the profitability is around 0.011, and the mean value of financial leverage is 0.64.

Table 2 shows that the highest correlation (0.276) as between accuracy of analysts' earnings forecast and DISE. The correlation coefficients of other variables used in the current study are below the thresholds showing that there is no multi-collinearity problem between the study independent variables (Grewal et al., 2004)[1].

Table 1: Descriptive statistics

Variable	Mean	Sd	p25	p50	p75
QSD	.533	.104	.359	.508	.62
SPR	.58	.10	.19	.58	.83
STRQ	.51	.21	.10	.52	.98
USFUL	40	.16	0	.33	.91
Accuracy	-.016	.220	-.074	-.023	-.0021
ROA	.112	.124	.041	.090	.15
SIZE	7.48	.663	7.00	7.39	7.8
LEV	.546	.224	.392	.583	.71
Ch-ROA	.0086	.329	-.031	-.002	.026

Table 2 presents descriptive statistics for all variables used in this study. QSD= Corporate social responsibility disclosure score measured through employing multidimensional proxy index. STRQ = the quantity dimension of QSD. SPR = the width dimension of QSD. USFUL = the usefulness dimension of QSD. Accuracy=accuracy of analysts' earnings forecast. ROA= profitability, measured through net income from operations divided by total assets. SIZE= company size measured through the natural log of company's total assets. LEV= leverage ratio measured through long-term debt scaled by total assets. Ch-ROA = the variation in accounting earnings[1].

[1] Grewal et al. (2004) argue that a multicollinearity problem above 80% might harm the findings of the regression analysis.

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Table 2: Correlations metrics

Panel A								
	QSD	ROA	Size	Type	Lev	Ch-ROA	DISE	ACCU
QSD	1.000							
ROA	0.018	1.000						
Size	0.101***	-0.113***	1.000					
Type	0.081***	0.041*	-0.074***	1.000				
Lev	0.005	0.071***	0.059***	0.006	1.000			
ChROA	-0.003	-0.049**	0.037	-0.003	-0.022	1.000		
DISE	-0.176***	0.029*	-0.107***	-0.0473**	0.024	-0.001	1.000	
Accuracy	0120***	-0.002	0.007	0.075***	0.088***	-0.11***	.279***	1.000
Panel B								
	STRQ	ROA	Size	Type	Lev	Ch-ROA	DISE	ACCU
STRQ	1.000							
ROA	0.0239	1.000						
Size	0.0531**	-0.113***	1.000					
Type	0.038*	0.041*	-0.074***	1.000				
Lev	0.0104*	0.071***	0.059***	0.006	1.000			
ChROA	-0.042*	-0.049**	0.037	-0.003	-0.022	1.000		
Accuracy	0.0967***	-0.002	0.007	0.075***	0.088***	-0.11***	.279***	1.000
Panel C								
	USFUL	ROA	Size	Type	Lev	Ch-ROA	DISE	ACCU
USFUL	1.000							
ROA	0.031	1.000						
Size	0.079***	-0.113***	1.000					
Type	0.052**	0.041*	-0.074***	1.000				
Lev	0.008	0.071***	0.059***	0.006	1.000			
ChROA	-0.039*	-0.049**	0.037	-0.003	-0.022	1.000		
Accuracy	0117***	-0.002	0.007	0.075***	0.088***	-0.11***	.279***	1.000
Panel D								
	SPR	ROA	Size	Type	Lev	Ch-ROA	DISE	ACCU
SPR	1.000							
ROA	0.049*	1.000						
Size	0.181***	-0.113***	1.000					
Type	0.177***	0.041*	-0.074***	1.000				
Lev	0.022	0.071***	0.059***	0.006	1.000			
ChROA	-0.038*	-0.049**	0.037	-0.003	-0.022	1.000		
Accuracy	0.028	-0.002	0.007	0.075***	0.088***	-0.11***	.279***	1.000

Table 3 reports the correlation coefficients between the dependent and independent variables. * Significance at the 0.10 level, ** Significance at the 0.05 level, *** Significance at the 0.01 level.

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V. Multivariate Analysis

In this section the current study examines whether QSD helps analysts in achieving higher accuracy in their earnings forcast. QSD and its three dimenstions are used as independent variables whereas the dependent variable used in the study model is the accuracy of analysts' earnings forecast. Table 3 shows that the QSD is statistically significant and positively related to the accuracy of analysts' earnings forecast at 0.01 level (Model1). This result is consistent with findings reported by prior studies (e.g. Beretta and Bozzolan 2008; Dhaliwal et al., 2012; Becchetti et al., 2013; Casey and Grenier, 2014), indicating that accuracy of analyst earnings forecasts is more likely to be higher when companies publish a higher QSD. Table 3also indicates that SPR and USEF as dimensions of QSD (Model 3 and Model 4) are statistically significant and positively related to the accuracy of analysts' earnings forecast (coef = 3.50, $p < 0.01$; coef = -1.54, $p < 0.05$, respectively). These findings suggest that USFUL dimension and SPR dimension are likely to increase the accuracy of financial analysis for earnings forecasts. Although STRQ dimension is insignificantly related to the accuracy of analysts' earnings forecast (Model 2), the relationship between them is still positive (coef = 0.334, $p < 0.282$). In general, the findings suggest that the identified framework in this study is more likely to help information users to evaluate the QSD for making their decisions and, therefore, comprises a positive phenomenon for stock markets.In respect control variables, table 3 also found evidence that SIZE (Model 2) is significantly and positively related to the accuracy of analysts' earnings forecast (coef = .317, $p < 0.05$), suggesting that the accuracy of earnings forecast can be predicted in large companies more than small companies. Finally, it is interesting to note that ROA (column 1 and column 3) is statistically significant and negatively associated with the accuracy of analysts' earnings forecast (coef = -.524, $p < 0.01$; coef = -.457, $p < 0.01$), suggesting that financial analysts are more likely to achieve less accuracy forecasts for companies with higher ROA.

Table 3: Regression panel analysis: Accuracy and QSD and its dimensions

	Accuracy Model 1		Accuracy Model 2		Accuracy Model 3		Accuracy Model 4	
	Coef	T	Coef	T	Coef	t	Coef	t
QSD	1.68***	3.72						
STRQ			.334	1.08				
USFUL					3.50***	5.42		
SPR							1.54**	2.25
ROA	.036	0.08	.142	0.29	.012	0.03	.065	0.13
SIZE	.091	0.82	.317**	2.04	.037	.22	.176	1.04
Type	1.052*	1.66	.001	-0.01	-011	-0.04	-012	-0.04
Lev	-.330	-1.31	.006	0.02	.039	0.14	.016	0.06
ChROA	-.524***	-3.84	-.455	-3.26	-.457***	-3.30	-.450	-3.23

Table 4 reports the relationship between accuracy of earnings analysts' forecast and the three dimensions of QSD. * Signfican ce at the 0.10 level, ** Significance at the 0.05 level, *** Significance at the 0.01 level.

VI. Quality vs Quantity of Sustainability Disclosure

The current study further compares the quantity measurement of sustainability disclosure with the quality measurement of sustainability disclosure in order to test whether the accuracy of analysts forecast is improved by using QSD framework, or not. This study argues that although quantity and quality are inseparable, however, mere quantity information related to sustainability activities may not improve the market decisions. Thus, the main analysis that reported in table 3 were repeated using content analysis to capture the quantity of sustainability disclosure (SD), through the number of text unit (e.g. Haniffa and Cooke, 2005; Belgacem and Omri, 2015). The test' findings is reported in table 4. The results indicate that SD (Model 5) is insignificantly associated with the accuracy of analysts' forecast (coef = 0.003, $p < 0.154$), while QSD(model 6)has a significant and positive correlation with the accuracy of analysts' forecast at 0.01 level. Furthermore, when the QSD and SD are employed as predictors in the same model (model 7), the findings reveal that QSD is statistically significant and positively related to the accuracy of analysts' forecast (coef = 1.68, $p < 0.01$) while SD did not show significant association (coef = -0.001, $p < 0.261$). These results support the main hypothesis of this studyand provide evidence that high quality information of disclosure are more likely to help financial analysts than just quantity information to predict earnings in the subsequent year.

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Table 4: Regression panel analysis 1: Accuracy and both QSD and DF

	Accuracy Model 5		Accuracy Model 6		Accuracy Model 7	
	Coef	T	Coef	t	Coef	T
QSD			1.68***	3.72	1.68***	3.73
DF	.003	1.42			.002	1.46
ROA	.199	0.40	-.036	-0.08	-.016	-0.04
SIZE	.422**	2.55	.091	0.82	.133	1.16
Type	.006	-0.02	.047*	1.66	.048*	1.67
Lev	.005	0.02	-.330	-1.31	-.329	-1.30
ChROA	-.457***	-3.27	-.524***	-3.84	-.522***	-3.83

Table 5 reports the relationship between accuracy of earnings analysts' forecast and both quantity and quality of sustainability disclosure. * Significance at the 0.10 level, ** Significance at the 0.05 level, *** Significance at the 0.01 level.

VII. Robustness Check

The current study conducts a robustness test to check for robustness of its results. An alternative measurement of the dependent variable the accuracy of analyst's earnings forecastis used to test whether the primary findings are robust to various measures or not. The main empirical analyses were repeated by using dispersion of analysts' earnings forecast (DISE) as alternative measure for the accuracy of analyst's earnings forecast. Following prior studies (e.g. Harjoto, et al., 2015; Garrido et al., 2016), this study uses standard deviation of analysts' earnings forecast as proxy of analyst's dispersion of earnings forecast. The measure for dispersion of analysts' earnings forecast was collected from Bloomberg database.

Table 5 provides evidence that QSD is negatively related to DISE at 0.01 level (Model 8). These results are consistent with the main finding in table 4 suggesting that when manager report higher quality of disclosure, they are more likely to help financial analysts in reducing their error of earnings forecast at the subsequent year. Table 5 also provides results for the relationship between DISE and QSD dimensions. The three dimensions of QSD (in Model 9, Model 10 and Model 11) are statistically significant and negatively related to DISE (coef = -.588, $p < 0.01$; coef = -1.35, $p < 0.01$; coef = -.798, $p < 0.01$ respectively). These results provide other evidence that the main results are robust unchanged with alternative measures.

Table 5: Regression panel analysis: dispersion and QSD

	DISE Model 8		DISE Model 9		DISE Model 10		DISE Model 11	
	Coef	t	Coef	t	Coef	T	Coef	T
QSD	-1.32***	-6.05						
STRQ			-.588***	-3.80				
USFUL					-1.35***	-4.84		
SPR							-.798***	-3.83
ROA	-.427**	-1.97	-.619**	-2.48	-.42*	-1.92	-.485**	-2.22
SIZE	-.225***	-4.29	-.431***	-5.53	-.20***	-3.79	-.243***	-4.58
Type	1.013	-1.06	-.007	-0.05	-.009	-0.74	-.016	-1.25
Lev	.109	0.89	.065	0.46	.096	0.78	.111	0.90
ChROA	.061*	1.34	.097	0.55	.101	0.57	.086	0.48

Table 6 reports the relationship between dispersion of earnings analysts' forecast and quality of sustainability disclosure. * Significance at the 0.10 level, ** Significance at the 0.05 level, *** Significance at the 0.01 level.

VIII. Concluding Remarks

This study examines the relationship between the QSD and the accuracy of analyst forecast using a sample of the Egyptian listed companies. The paper argues that the accuracy of analyst earnings forecast is more likely to be increased when companies do report higher QSD. This study combines different dimensions to measure the QSD: the quantity of the information disclosed (how much is disclosed), the spread of the information disclosed (coverage and dispersion), and the usefulness of the information disclosed (characteristics of accounting information). The current study performs OLS regression and find that QSD practices are associated with analyst forecast accuracy. The empirical results also confirm that the dimensions considered in the study framework give more realistic disclosure picture than quantity does. In the additional

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analysis, the study distinguishes between the quantity and the quality of sustainability disclosure and examine their relationship with the accuracy of analyst forecast. The results from this additional analysis confirm the main result. In line with signalling theory, the findings suggest that QSD could be used to mitigate information asymmetries and increase accuracy of analyst forecast.

These results are important for standard setters and regulators because they assess the possible effectiveness of sustainability disclosures. The results also advance the understanding of the role played by QSD in the stock valuation process and provide guidance to investors on how to utilise the sustainability disclosure that companies provide.

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Appendix 1

Sustainability disclosure checklist items

1- **Community development**
   1- Education,
   2- Contribution to national economy
   3- Charity and donation,
   4- Social activities support
   5- Other Community investment

2- **Human resources**
   1- Safety and health,
   2- Employee equal opportunities
   3- Employee training and development
   4- Retirement benefits.
   5- Other employee Data

3- **Products and services**
   1- Products/ Services quality
   2- Products safety.
   3- Product or service development,
   4- ISO or other awards received by company.
   5 - Other products data

4- **Customer**
   1- Customer service information.
   2- customer feedback
   3- Others customer data

5- **Environment**
   1- Pollution
   2- Recycling
   3- Waste management
   4- Water usage
   5- Emission of carbon and harmful gases
   6- Energy policy statement
   7- ISO or other awards received by company
   8- Other environmental policy statement

6- **Others sustainability Information**
   1- General sustainability Information

Appendix 2

Weighted Method for Usefulness Dimension

	Question	Likert's	Literature
Relevance	Sustainability disclosure is estimated to be relevant if it has an influence on the users' decisions (IASB, 2010, p. 17). IFRS suggests that financial information impacts the decision-making by users to make it different.	0 = nosustainability disclosure 1= disclose descriptive information on sustainability is disclosed, 2 = descriptive and financial information of sustainability disclosure is included, 3 = descriptive disclosure including financial and forward-looking information is reported.	e.g. Jonas and Blanchet, 2000; McDaniel et al., 2002; Chakroun et al. 2013, Hussainey, K., & Alotaibi, K., 2016.
Faithful representation	Sustainabilitydisclosure to be faithfully representative, it should be natural, complete and free of the bias (IASB, 2010).	0 = no negative and positive sustainability activities are disclosed. 1 = few positive events are disclosed (one paragraph). 2 = more positive events are disclosed (more than one paragraph). 3 = more positive events with negative events are disclosed.	e.g. Razaee, 2003; Cohen et al., 2004; Chakroun et al. 2013, Hussainey, K., & Alotaibi, K., 2016.

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Understandability	Understandability is defined as understanding of disclosure regarding the information quality which help users to understand the disclosure meaning. (IASB, 2010), when information is classified concisely and presented clearly, understandability will be enhanced.	0 = no disclosure on sustainability. 1 = poor presentation (nonfinancial information only, without any table, pictures or graphs). 2 = financial and nonfinancial information without any table, pictures or graphs are provided. 3 = a good presentation (text, financial information plus graphs, tables or pictures)	e.g. Jonas and Blanchet, 2000; Chakroun et al. 2013, Hussainey, K., & Alotaibi, K., 2016.
Comparability	The Comparability is defined as the quality of disclosure that enables users for identifying the performance trends of the company over time and help users to compare between two sets of economic activities (IASB, 2010).	0 = no ratios is found in annual report. 1 = few ratios are found (less than 5). 2 = some ratios are found (from 5 to 10). 3 = enough ratios are found (more than 10).	e.g. Cleary, 1999; Hussainey, K., & Alotaibi, K., 2016.

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Sustainable Green Finance Practices and Application in Commercial Banks: A Phenomenological Study

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Abstract- As a new practice in finance, world communities are incorporating environmental, social and governance (ESG) interests into our financial practice terming it as Green Finance. ESG`s core concept and the United Nations Sustainable Development Goals 2030 help spread this west evolved concept to developing countries. Nepal, a developing country in need of foreign funding, seems to have succumbed to green finance practices as it has become one of the fundamental goals of key economic players such as the World Bank and the IMF. This qualitative research tried to explore the present positioning of Nepalese commercial banks regarding incorporation of the concepts of green finance in their financial planning, decision making and operation by collecting data through seven semi structured interviews with commercial bankers. Findings are analyzed under different themes i.e. understanding of green finance, common green finance practices and challenges faced while implementing it. This study concluded that green finance being a nascent concept is superficially understood, is practiced just to meet the minimum NRB guidelines, has economical and operational constraints, and needs rational amendments in guidelines for local acceptance yielding desired outcomes.

Keywords: green finance, sustainable finance, sustainable development goals, nepalese commercial banking.

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Sustainable Green Finance Practices and Application in Commercial Banks: A Phenomenological Study

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Abstract- As a new practice in finance, world communities are incorporating environmental, social and governance (ESG) interests into our financial practice terming it as Green Finance. ESG`s core concept and the United Nations Sustainable Development Goals 2030 help spread this west evolved concept to developing countries. Nepal, a developing country in need of foreign funding, seems to have succumbed to green finance practices as it has become one of the fundamental goals of key economic players such as the World Bank and the IMF. This qualitative research tried to explore the present positioning of Nepalese commercial banks regarding incorporation of the concepts of green finance in their financial planning, decision making and operation by collecting data through seven semi structured interviews with commercial bankers. Findings are analyzed under different themes i.e. understanding of green finance, common green finance practices and challenges faced while implementing it. This study concluded that green finance being a nascent concept is superficially understood, is practiced just to meet the minimum NRB guidelines, has economical and operational constraints, and needs rational amendments in guidelines for local acceptance yielding desired outcomes.

Keywords: green finance, sustainable finance, sustainable development goals, nepalese commercial banking.

I. Introduction

Environmental issues caused by constantly increasing CO2 emissions have become a global concern (Schumacher et al., 2020). In order to address this universal concern, authorities are making intensive efforts to amplify environmental awareness, cutback economic carbonization, excogitate risks associated with climate change, and curtail the knocks of excessive carbonization (Hafner et al., 2020). Responding to these concerns, world communities have agreed an Agenda 2030 to achieve sustainable development by diverting to sustainable green investment from carbon-dense investment (Tolliver et al., 2020). Huge attention has been paid towards discounting CO2 emissions and global warming as a result of greenhouse gases (Mahat et al., 2019). To subjugate these worries, financial system must be innovated to pay more diligence to environmental protection and economic growth to ensure sustainable development (Guild, 2020). The transformation to 'low carbon' or 'environment-friendly' financial activities demands novel financing because classical or mainstream financing instruments are not well-equipped to preserve the environment and to coddle for the needs of a small but expanding green economy (Dikau and Volz, 2021). Therefore, advocates of a green economy have put forward 'green finance' as one of the feasible way-out to fulfill the financing demands of individuals, institutions and public-authorities involved in programs and actions to ensure the sustainable preservation of environment (Mohd and Kaushal, 2018).

Green finance is concerned with the transformation of system aiming at conservation and up-gradation of environment, conservation of energy, green investment and green financing, greener movement and transportation, and green financial orientation via sustainable project development, optimal use of resources and environment solicitous actions (Tolliver et al., 2020). The core idea of green finance is comprehensively different from traditional finance. Green finance strongly focuses on sustainable economic development by innovatively participating in environmental conservation (Falcone, 2020). In addition to reducing carbon emission, the incorporation of concept of green finance can also be supportive in mitigating climate risk, improving the quality of community life, and effective shift to zero-carbon; helping in fulfillment of broad CSR responsibilities of companies (Kemfert et al., 2020).

Comprehensive support and involvement of all the stakeholders including government, society, financial institutions, and all the major economic players is basic necessity for effective practice and implementation of green financial system (Al Ahbabi and Nobanee, 2019). Government can play leading role in this regard by adopting new and supportive policies, updating and enhancing green financial laws, speeding institutional reforms, and mediating global cooperation to form an efficient green financial system (Peng et al, 2018). Hu et al, (2020) stresses the importance of financial institutions by stating that they can support sustainable development by effective green credit funding.

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Sustainable finance has been a hot topic in recent years and will continue to be so for years to come. As a blossoming practice in the field of finance, it stressfully considers the environmental, social and governance (ESG) interests in financial planning, decision making and operation. Green finance, a major subset of sustainable finance, is considered to be one of the unquestionable tools for achievement of sustainable development goals.

Green finance, in its broadest sense, refers to the collection and use of funds for projects that save the environment while providing lenders or investors with a reasonable return (Berensmann and Lindenberg, 2019). Increased financial flows from financial institutions to businesses engaged in environmental preservation initiatives and other activities that contribute to the achievement of the Sustainable Development Goals are the purpose of green finance (Lee and Baral, 2017). Green finance is becoming more important in the banking sector as a result of efforts to protect banks and society at large against unpredictable future economic issues (Ziolo et al. 2019).The transition to 'low carbon' or 'environment-friendly' economic activities requires novel financing because traditional or mainstream financing instruments are not designed to preserve the environment and to cater for the needs of a small but growing green economy (Dikau, 2021)

The paper commences with a background section that attempts to clarify the study's setting while stressing the issue presented, the context of the investigation, and the research questions underpinning the remaining discussion. A survey of the relevant literature on green finance and related products will come after that section. The methodology section describes the sample selection process as well as how the in-depth banker interviews were planned and carried out. The findings are widely discussed in the analysis part in three separate themes related to commercial bankers' understandings, practices, and difficulties with green finance. The summary of the results and suggestions for further research are presented in the conclusion section.

II. Problem Statement

Developing nations like Nepal are having a difficult time dealing with the effects of climate change on the environment. For instance, Nepal is reportedly one of the nations, most susceptible to climatic variations, which have harmed natural ecosystems and made life more difficult for the populace. In order to address the financial needs of people, businesses, and governments engaged in initiatives and activities that sustainably protect the environment, green finance is being explored as a potential alternative (Mohd and Kaushal, 2018). The majority of industrialized economies today largely employ this developed and refined western financial theory. Stressful encouragement is being given for developing economies to imitate developed ones.

The recommendations were presented in 2018 by Nepal Rastra Bank with the aim of encouraging and using sustainable financing. Following that, all BFIs were urged to apply sustainable finance principles to their operations and decision-making. The phrase "Green Finance" is then widely used in the financing sector in Nepal. Commercial banks, which make up more than 80% of the financial sector in Nepal, have been hailed as pioneers in the adoption and use of sustainable (Green) financing. This is a new phenomenon that requires advanced knowledge and work to be implemented successfully (Volz, 2018). The question of whether or not this issue has been correctly grasped has been the key question. There seemed limited or minimum research regarding understandings and proper applications of this western driven phenomenon in the context of developing economies like Nepal. In line with this concern, this research has tried to address the following research questions:

- How has green finance been understood in Nepalese commercial banks?
- What are the common practices undertaken by Nepalese commercial banks?
- What is the existing and future potential challenges prevailing in the field of green finance as faced by commercial banks?

III. Literature Review

Green finance has been defined in different ways. There seems a not significant difference between the definitions purposed by various scholars. Green finance, according to Lindenberg (2014), is the funding of both governmental and private green investments. Green finance, according to Ozili (2021), is the funding of initiatives that advance environmental sustainability while producing economic returns. Green finance is defined by Wang and Zhi (2016) as financing that combines economic growth and environmental preservation. As according Lindenberg (2014), green finance includes all investments in products and services that benefit the environment as well as investments in initiatives that lessen harm to the environment and the climate. Green finance also refers to the investment in governmental policies that support the implementation of environmental conservation projects or initiatives to lessen environmental damage. (Lindenberg, 2014). Green finance, according to Bahl (2012), is the funding of projects that lessen pollution as well as environmentally beneficial activities and green technologies. The concept of acquisition and use of cash, for environmental-friendly projects, while providing lenders or investors the reasonable return on their investment is known as "green financing" (Berensmann and Lindenberg, 2019). Popularly referred to as "green

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banking," this term describes the environmentally friendly steps that banks have made to decrease external carbon emissions and lower their day-to-day carbon footprint (Jain, 2013).

Empirical researches have concretely pointed out many novel benefits of green finance, while advocating its incorporation in financial practices. Green financing encourages inclusive economic expansion (Wang and Wang, 2020). Green project investments can lower carbon emission levels in the short- and long-term (Li et al, 2021). Investors in the corporate and treasury markets benefit from green financing's benefits of diversity (Reboredo, 2018). Funding for fossil fuel operations that are harmful to the environment and the climate can be decreased by increasing green financing (Sachs et al, 2019a, Ozili, 2022a). Green financing is significant due of its alleged advantages. Long-term, green financing encourages the development of smart cities (He et al, 2020).

Banks, institutional investors, research organizations, government organizations, central banks, financial regulators, international financial institutions, and universities are the primary forces driving the growth and development of green finance (Berensmann and Lindenberg, 2016). As demonstrated by Volz (2017), the financial system can be made greener by central banks using a variety of tools and policy instruments. Discount policy, reserve requirements, capital requirements, open market operations, foreign exchange intervention, macroprudential policies, risk guidance, central bank communication, and international collaboration among central banks are some potential instruments that might be utilized by central banks. Government agencies in European nations often focus on creating an environment that is conducive to green projects, while the European Investment Bank (EIB) plays a vital role in financing renewable energy projects and energy efficiency improvement projects throughout Europe (Wang and Zhi, 2016).

The microeconomic challenges to green finance, according to Berensmann and Lindenberg (2016), include issues with internalizing environmental externalities, information asymmetry issues, a lack of analytical capacity, a hazy definition of "green," a maturity mismatch between short-term and long-term green investments, the relatively short time horizon of savers and investors, and an ineffective coordination between financial and environmental sectors. The biggest obstacles in the subject of green finance include the difficulty in analyzing green finance, the lack of uniformity in evaluating corporate greenness, the imprecise definition of corporate greenness, and the absence of green data (Gilchrist et al, 2021).High transaction for green certification and monitoring plays a significant role in curtailing the growth of green investment vehicle(Schletz et al 2020).

The scholar aligned with the idea that green finance, a nascent concept in the field of finance is concerned about proper incorporation of environment, social and governance interest in financing decision making and action. Researchers have concluded central banks and BFIs to be the major promoters of green finance. Nepal Rastra Bank has put forward the sustainable policy to be incorporated by BFIs. Convenience, applicability and acceptance of that policy need critical examination.

In conclusion the concept and the procedure of green finance are well driven by 'Public Interest Theory' focusing more on the public, social and environmental interest. Green finance seems to encourage financial institutions to trade off their 'Private Interest' of core profit with the Long term public interest of environment and climate conservation. Furthermore, most of the literatures are stressing the needs of green finance and pointing out the difficulties associated. Nepal, a climate change vulnerable country heavily depending on foreign financial involvement, can't avoid green finance paradigm. State of commercial banks, main economic pillar, in this regards needs exploration.

IV. Methodology

This research broadly aimed to explore the present-day story-line of green finance in Nepalese commercial banks. Due to the exploratory nature of the study, qualitative research approach has been adopted as this method allows capturing the detail information and eases the task of generating rational themes relating with the issue. Empirical data were collected conducting semi structured interviews.

a) Sample

We used purposive criterion sampling process identifying ten bankers serving at mid to high level in commercial banks. The respondents were selected based on the personal links choosing the bankers who are working in the commercial banks with minimum experience of five years and are constantly involved in financial decision making process i.e. serving at mid/ high level. While selecting the respondents we tried to incorporate various types of banks like state owned, joint venture and private banks.

b) Data Collection

After identifying the potential respondents, individual interviews were conducted to collect empirical data. A total of seven interviews were conducted (2 respondents from government owned bank; 2 from joint venture banks and 3 from private banks). All the interviews were conducted face to face in Nepali language. Basic ethical considerations were respected. Interviews were based on the open ended questions regarding green finance in commercial banks. Interviews lasted for 40 to 60 minutes in which respondents were

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freely allowed to express their understandings and thoughts. It allowed Interviewees be active insightful participants rather than being the mere subject of research. All the respondents readily agreed their interviews to be recorded.

V. Data Analysis

All the recorded interviews were well transcribed. Transcription was then followed by content analysis to identify and generate the research codes. Previous literatures were reviewed to explore the basics of green finance. Using the knowledge acquired from literature review, research themes were developed using the research codes in line with the research questions.

Following considerations are being maintained from the initiating point of research to ensure rigor and quality, and demonstrate trustworthiness.

- Prolonged engagement of researcher has been ensured to maintain credibility.
- Interviewee, rather than being the mere subject has been encouraged to be active insightful participants and the issue being noble has been helpful in this cause.
- Thick description (including voices, feelings and actions) has been given in the write up to ensure transferability of research.
- Constant reflection has been done to minimize researcher's personal biasness to maintain conformability of research.

VI. Findings and Discussion

In this section, findings are being discussed on the basis of the themes that emerged out of data analysis. All the codes generated after content analysis has been grouped and analyzed as following themes.

- Bankers' understanding of Green Finance.
- Green Banking practices undertaken by commercial banks
- Challenges faced during implementation of Green Finance.

a) *Understanding of Green Finance*

In general we found that commercial bankers' possess quite surficial knowledge regarding green finance. They seemed less aware about the true and in depth concept of green finance. Most of them thought green financial concepts deal with electronic banking, ATM services, paperless banking, and environment scanning during investment. The core concepts of green finance concerning around ESG issues seemed not being acquainted among them. These central player of financial sphere were found particularly unaware of need for technological linkage between financial planning and operation, need for constant greener innovation, and their responsibility of preserving the economy by funding greener projects. Some of them seemed to have strong negative thoughts regarding it.

"It is a mere western concept not applicable to us. Are we the one taking responsibilities on the environmental sustainability degraded by the developed economies who are purposing this concept? In addition, its implementation will establish competitive disadvantage in financial operation"

This was the view of a government banker. This showed the lack of readiness for change and hesitation of embracing constantly globalizing financial concept. Furthermore, only two out of seven participants talked about the issues of financial inclusion, social and governance interests, and SDGs. This indicated the lack of penetration of green financing concept among Nepalese bankers showing the trouble authorities woulf be facing ahead in implementing green financial policies.

b) *Green Banking Practices*

Sustainable Banking network (SBN), International Financial Corporation (IFC) partnered with NRB to formulate the policies regarding sustainable finance. NRB has purposed the sustainable finance framework and it has been in practice among Nepalese BFIs since 2018.

Commercial banks' seemed to be following that framework and are focused merely on meeting the minimum criteria. All the banks have developed an exclusion list which prohibits them from financing extreme non-green projects. In addition they are content with generation of Environment and Sustainability rating of their investments.

As per one of the participants from a private bank, "We provide online banking facilities. Our bank has large number of ATM counters and we encourage our customers to use ATM cards. We allow our clients to open their accounts online. We even try to ensure financial inclusion during investment".

The surficial modern facilities like ATM services, mobile banking services, online account opening and usage, and general environmental scanning of the projects before investing are the most focused programs by the banks in the sake of going green. Most of the bankers' proudly consider the task of generation of environmental and sustainability score considering air emission, air quality, water use and conservation, solid waste management, working conditions, and community health as their major contribution in incorporating green finance. Financial planning and operation concerning environmental protection, reducing carbon emission, inclusion were not mentioned assertively during the interview showing that the word sustainable finance and green finance are merely used to show their alliance with this concept.

c) *Challenges faced during implementation of Green Finance*

All bankers were to some extent positive about endorsing green financing in their banking practices. They pointed out some challenges regarding its smooth

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implementation. Their insights somehow align with challenges indicated in green finance literatures.

Green finance is nascent phenomenon and it does not have fixed and universally accepted procedures and criteria. In Nepalese commercial bank there exist huge differences among stakeholders regarding the understanding of green financial principles and policies. Banking executives were highly concerned about Lack of creative talents, related to financial and environmental economics, required in developing green financial products. One of the banker from the joint venture bank express his frustrations regarding green financial practices as:

"Green financial investments comparatively yields low returns. The procedure itself is more time consuming, complicated and with higher transaction costs. We are forced to sacrifice our profits in the name societal interests and sustainability."

It shows deep seated cold-feeling of bankers towards green financial practices. In some instances during the interview I felt that Lack of funding readiness, insufficient technological capacity, ineffective resource use, and varying viewpoints on green finance transformation are the main issues encountered in this area.Furthermore, one of the participants from the government bank was highly critical regarding the huge decrease in the value of collateral after application of green finance standards.

VII. Conclusion

This was an exploratory qualitative research concerning green finance conducted by interviewing commercial bankers. The concept of green finance seemed to be gaining due respect and popularity in financial system. Environmental protection, climate change, social inclusion, and sustainable development continue to receive increasing global recognition, and in recent years, the interests in these issues have heightened in the banking industry. Nepalese commercial banks too are engaged in same highlighting the need of incorporating the green financial concepts in their planning and operation.

The promotion of green financing has stagnated despite the existence of green banking policy guidelines due to banks' and financial institutions' subpar management of green initiatives. In addition, the policy seemed highly influences by western practices. We feel it would be more fruitful if these policies were prepared incorporating local issue in this global phenomenon.

Some of bankers were rightly critical in pointing out the cost related with green finance and the competitive disadvantage it arose. To some extent we feel we developing world are forced to sacrifice our resource potential to neutralize the environmental hazards caused by decades long activities of developed world. There must be common meeting point where the development aims of the developing nations been given due recognition, financial support and technical assistance by developed countries.

Green finance as a phenomenon is very novel. It is sure to yield sustainable dividends incorporating social and environmental interest. But the huge transaction costs associated with green projects seemed overshadowing its advantages and making bankers hesitant accepting it. More simplification in its concepts, principles and procedure is needed to make it readily acceptable and economically viable.

VIII. Implication

The findings of this research are noteworthy for different stakeholders depending on their need as following:

- This research provides deeper understanding regarding what the green banking is and what actions the banks should undertake in order to create opportunities within this concept and identify challenges while incorporating it.
- It can be used as a resource for academics who wish to pursue additional research in this or similar fields, or it can be used as reading material for anybody with an interest in the subject.
- It assists bank policy makers in developing regulations connected to green banking practices by warning bankers about difficulties that will arise tomorrow so that they can reap the benefits of green banking, which is still believed to be in its infancy in Nepal.

IX. Future Research Opportunities

Future research should define the limits of governmental and private sector involvement in green funding. The boundaries of public and private sector involvement in green financing are currently a subject of scant research in the literature. Identification of the upper and lower limits of governmental and private sector involvement in green financing is necessary. Involving too many citizens in green financing could result in environmental policies being dominated by competing private interests..

The nexus between green, digital, and social finance should be thoroughly investigated in upcoming studies. Future research may also reveal further synergistic advantages of mixing social, digital, and green finance for a sustainable environment and society.

The ideal level of legislation to support green enterprises and promote green innovation must be investigated. Future research should determine how to effectively regulate while striking the correct balance between enforcing green regulations and fostering green innovation. One can also investigate how the difficult institutional and policy contexts impact the growth of green finance and investment markets in

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underdeveloped nations. Such studies ought to take into account the distinctive institutional and legislative constraints that apply to developing nations.

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Acknowledgments

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Manuscript Style Instruction (Optional)

- Microsoft Word Document Setting Instructions.
- Font type of all text should be Swis721 Lt BT.
- Page size: 8.27" x 11'", left margin: 0.65, right margin: 0.65, bottom margin: 0.75.
- Paper title should be in one column of font size 24.
- Author name in font size of 11 in one column.
- Abstract: font size 9 with the word "Abstract" in bold italics.
- Main text: font size 10 with two justified columns.
- Two columns with equal column width of 3.38 and spacing of 0.2.
- First character must be three lines drop-capped.
- The paragraph before spacing of 1 pt and after of 0 pt.
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- Large images must be in one column.
- The names of first main headings (Heading 1) must be in Roman font, capital letters, and font size of 10.
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Structure and Format of Manuscript

The recommended size of an original research paper is under 15,000 words and review papers under 7,000 words. Research articles should be less than 10,000 words. Research papers are usually longer than review papers. Review papers are reports of significant research (typically less than 7,000 words, including tables, figures, and references)

A research paper must include:

a) A title which should be relevant to the theme of the paper.
b) A summary, known as an abstract (less than 150 words), containing the major results and conclusions.
c) Up to 10 keywords that precisely identify the paper's subject, purpose, and focus.
d) An introduction, giving fundamental background objectives.
e) Resources and techniques with sufficient complete experimental details (wherever possible by reference) to permit repetition, sources of information must be given, and numerical methods must be specified by reference.
f) Results which should be presented concisely by well-designed tables and figures.
g) Suitable statistical data should also be given.
h) All data must have been gathered with attention to numerical detail in the planning stage.

Design has been recognized to be essential to experiments for a considerable time, and the editor has decided that any paper that appears not to have adequate numerical treatments of the data will be returned unrefereed.

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Abstract

The abstract is the foundation of the research paper. It should be clear and concise and must contain the objective of the paper and inferences drawn. It is advised to not include big mathematical equations or complicated jargon.

Many researchers searching for information online will use search engines such as Google, Yahoo or others. By optimizing your paper for search engines, you will amplify the chance of someone finding it. In turn, this will make it more likely to be viewed and cited in further works. Global Journals has compiled these guidelines to facilitate you to maximize the web-friendliness of the most public part of your paper.

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One should start brainstorming lists of potential keywords before even beginning searching. Think about the most important concepts related to research work. Ask, “What words would a source have to include to be truly valuable in a research paper?” Then consider synonyms for the important words.

It may take the discovery of only one important paper to steer in the right keyword direction because, in most databases, the keywords under which a research paper is abstracted are listed with the paper.

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Numerical methods used should be transparent and, where appropriate, supported by references.

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Authors are advised to submit any mathematical equation using either MathJax, KaTeX, or LaTeX, or in a very high-quality image.

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Although low-quality images are sufficient for review purposes, print publication requires high-quality images to prevent the final product being blurred or fuzzy. Submit (possibly by e-mail) EPS (line art) or TIFF (halftone/ photographs) files only. MS PowerPoint and Word Graphics are unsuitable for printed pictures. Avoid using pixel-oriented software. Scans (TIFF only) should have a resolution of at least 350 dpi (halftone) or 700 to 1100 dpi (line drawings). Please give the data for figures in black and white or submit a Color Work Agreement form. EPS files must be saved with fonts embedded (and with a TIFF preview, if possible).

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11. Pick a good study spot: Always try to pick a spot for your research which is quiet. Not every spot is good for studying.

12. Know what you know: Always try to know what you know by making objectives, otherwise you will be confused and unable to achieve your target.

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Verbs have to be in agreement with their subjects. In a research paper, do not start sentences with conjunctions or finish them with prepositions. When writing formally, it is advisable to never split an infinitive because someone will (wrongly) complain. Avoid clichés like a disease. Always shun irritating alliteration. Use language which is simple and straightforward. Put together a neat summary.

14. Arrangement of information: Each section of the main body should start with an opening sentence, and there should be a changeover at the end of the section. Give only valid and powerful arguments for your topic. You may also maintain your arguments with records.

15. Never start at the last minute: Always allow enough time for research work. Leaving everything to the last minute will degrade your paper and spoil your work.

16. Multitasking in research is not good: Doing several things at the same time is a bad habit in the case of research activity. Research is an area where everything has a particular time slot. Divide your research work into parts, and do a particular part in a particular time slot.

17. Never copy others' work: Never copy others' work and give it your name because if the evaluator has seen it anywhere, you will be in trouble. Take proper rest and food: No matter how many hours you spend on your research activity, if you are not taking care of your health, then all your efforts will have been in vain. For quality research, take proper rest and food.

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19. Refresh your mind after intervals: Try to give your mind a rest by listening to soft music or sleeping in intervals. This will also improve your memory. Acquire colleagues: Always try to acquire colleagues. No matter how sharp you are, if you acquire colleagues, they can give you ideas which will be helpful to your research.

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23. Upon conclusion: Once you have concluded your research, the next most important step is to present your findings. Presentation is extremely important as it is the definite medium though which your research is going to be in print for the rest of the crowd. Care should be taken to categorize your thoughts well and present them in a logical and neat manner. A good quality research paper format is essential because it serves to highlight your research paper and bring to light all necessary aspects of your research.

Informal Guidelines of Research Paper Writing

Key points to remember:

- Submit all work in its final form.
- Write your paper in the form which is presented in the guidelines using the template.
- Please note the criteria peer reviewers will use for grading the final paper.

Final points:

One purpose of organizing a research paper is to let people interpret your efforts selectively. The journal requires the following sections, submitted in the order listed, with each section starting on a new page:

The introduction: This will be compiled from reference matter and reflect the design processes or outline of basis that directed you to make a study. As you carry out the process of study, the method and process section will be constructed like that. The results segment will show related statistics in nearly sequential order and direct reviewers to similar intellectual paths throughout the data that you gathered to carry out your study.

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This will provide understanding of the data and projections as to the implications of the results. The use of good quality references throughout the paper will give the effort trustworthiness by representing an alertness to prior workings.

Writing a research paper is not an easy job, no matter how trouble-free the actual research or concept. Practice, excellent preparation, and controlled record-keeping are the only means to make straightforward progression.

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To make a paper clear: Adhere to recommended page limits.

Mistakes to avoid:

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- Submitting a manuscript with pages out of sequence.
- In every section of your document, use standard writing style, including articles ("a" and "the").
- Keep paying attention to the topic of the paper.



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- Use paragraphs to split each significant point (excluding the abstract).
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Choose a revealing title. It should be short and include the name(s) and address(es) of all authors. It should not have acronyms or abbreviations or exceed two printed lines.

Abstract: This summary should be two hundred words or less. It should clearly and briefly explain the key findings reported in the manuscript and must have precise statistics. It should not have acronyms or abbreviations. It should be logical in itself. Do not cite references at this point.

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Write your summary when your paper is completed because how can you write the summary of anything which is not yet written? Wealth of terminology is very essential in abstract. Use comprehensive sentences, and do not sacrifice readability for brevity; you can maintain it succinctly by phrasing sentences so that they provide more than a lone rationale. The author can at this moment go straight to shortening the outcome. Sum up the study with the subsequent elements in any summary. Try to limit the initial two items to no more than one line each.

Reason for writing the article—theory, overall issue, purpose.

- Fundamental goal.
- To-the-point depiction of the research.
- Consequences, including definite statistics—if the consequences are quantitative in nature, account for this; results of any numerical analysis should be reported. Significant conclusions or questions that emerge from the research.

Approach:

- Single section and succinct.
- An outline of the job done is always written in past tense.
- Concentrate on shortening results—limit background information to a verdict or two.
- Exact spelling, clarity of sentences and phrases, and appropriate reporting of quantities (proper units, important statistics) are just as significant in an abstract as they are anywhere else.

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The introduction should "introduce" the manuscript. The reviewer should be presented with sufficient background information to be capable of comprehending and calculating the purpose of your study without having to refer to other works. The basis for the study should be offered. Give the most important references, but avoid making a comprehensive appraisal of the topic. Describe the problem visibly. If the problem is not acknowledged in a logical, reasonable way, the reviewer will give no attention to your results. Speak in common terms about techniques used to explain the problem, if needed, but do not present any particulars about the protocols here.

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- Briefly explain the study's tentative purpose and how it meets the declared objectives.

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Use past tense except for when referring to recognized facts. After all, the manuscript will be submitted after the entire job is done. Sort out your thoughts; manufacture one key point for every section. If you make the four points listed above, you will need at least four paragraphs. Present surrounding information only when it is necessary to support a situation. The reviewer does not desire to read everything you know about a topic. Shape the theory specifically—do not take a broad view.

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When a technique is used that has been well-described in another section, mention the specific item describing the way, but draw the basic principle while stating the situation. The purpose is to show all particular resources and broad procedures so that another person may use some or all of the methods in one more study or referee the scientific value of your work. It is not to be a step-by-step report of the whole thing you did, nor is a methods section a set of orders.

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Materials may be reported in part of a section or else they may be recognized along with your measures.

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- Describe the method entirely.
- To be succinct, present methods under headings dedicated to specific dealings or groups of measures.
- Simplify—detail how procedures were completed, not how they were performed on a particular day.
- If well-known procedures were used, account for the procedure by name, possibly with a reference, and that's all.

Approach:

It is embarrassing to use vigorous voice when documenting methods without using first person, which would focus the reviewer's interest on the researcher rather than the job. As a result, when writing up the methods, most authors use third person passive voice.

Use standard style in this and every other part of the paper—avoid familiar lists, and use full sentences.

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- Resources and methods are not a set of information.
- Skip all descriptive information and surroundings—save it for the argument.
- Leave out information that is immaterial to a third party.

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The principle of a results segment is to present and demonstrate your conclusion. Create this part as entirely objective details of the outcome, and save all understanding for the discussion.

The page length of this segment is set by the sum and types of data to be reported. Use statistics and tables, if suitable, to present consequences most efficiently.

You must clearly differentiate material which would usually be incorporated in a study editorial from any unprocessed data or additional appendix matter that would not be available. In fact, such matters should not be submitted at all except if requested by the instructor.



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- Sum up your conclusions in text and demonstrate them, if suitable, with figures and tables.
- In the manuscript, explain each of your consequences, and point the reader to remarks that are most appropriate.
- Present a background, such as by describing the question that was addressed by creation of an exacting study.
- Explain results of control experiments and give remarks that are not accessible in a prescribed figure or table, if appropriate.
- Examine your data, then prepare the analyzed (transformed) data in the form of a figure (graph), table, or manuscript.

What to stay away from:

- Do not discuss or infer your outcome, report surrounding information, or try to explain anything.
- Do not include raw data or intermediate calculations in a research manuscript.
- Do not present similar data more than once.
- A manuscript should complement any figures or tables, not duplicate information.
- Never confuse figures with tables—there is a difference.

Approach:

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Put figures and tables, appropriately numbered, in order at the end of the report.

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Position your understanding of the outcome visibly to lead the reviewer through your conclusions, and then finish the paper with a summing up of the implications of the study. The purpose here is to offer an understanding of your results and support all of your conclusions, using facts from your research and generally accepted information, if suitable. The implication of results should be fully described.

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- You may propose future guidelines, such as how an experiment might be personalized to accomplish a new idea.
- Give details of all of your remarks as much as possible, focusing on mechanisms.
- Make a decision as to whether the tentative design sufficiently addressed the theory and whether or not it was correctly restricted. Try to present substitute explanations if they are sensible alternatives.
- One piece of research will not counter an overall question, so maintain the large picture in mind. Where do you go next? The best studies unlock new avenues of study. What questions remain?
- Recommendations for detailed papers will offer supplementary suggestions.

Approach:

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Describe generally acknowledged facts and main beliefs in present tense.

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References	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring

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