Chapter 5
Financial Stability vs. Sustainable Development and Its Financing

Magdalena Ziolo
University of Szczecin, Poland

Marwa Ben Ghoul Ben Ghoul
Anadolu University, Turkey

Halil İbrahim Aydin
Batman University, Turkey

ABSTRACT

Financing of sustainable development is a sophisticated and long-term process determined by a number of economic and non-economic factors. Financial instruments, private and public nature, exist that can be a source of financing of sustainable development. The choice of finance sources and instruments has an impact on the stability of economic systems and the efficiency of public expenditure with respect to sustainable development goals. The choice of financial instruments for financing development impact on financial stability and results in outcomes performed. The goal of the chapter is to examine relationships between financial stability reflected by public debt to gross domestic product (GDP) and sustainable development described by variables represented by three pillars of sustainable development: economic, social, and environmental. The role of environmentally related tax revenue has been identified as crucial for financing sustainable development goals.

DOI: 10.4018/978-1-5225-4026-7.ch005
INTRODUCTION

Financing of sustainable development is a sophisticated and long-term process determined by a number of economic and non-economic factors. Financial instruments, private and public nature, exist that can be a source of financing of sustainable development. The choice of finance sources and instruments has an impact on the stability of economic systems and the efficiency of public expenditure with respect to sustainable development goals. The choice of financial instruments for financing development impact on financial stability and results in outcomes performed.

Sustainability is a crucial issue in distressed, socio-economic environments. A welfare state crisis and the regulations failure which were revealed after 2008 highlight a need to search for new ways and solutions for stabilizing of national economies and creating conditions for sustainable economic development. Social and financial exclusion, increasing income disparities, inefficient redistribution system, and negative economic externalities (including environment protection problems) are some of the challenges facing states and local governments.

Sustainable development, when seen from an economic point of view has been widely described in literature. Despite numerous publications and papers on the subject, it remains under recognized with a definition standpoint, of the impact on the economy and stakeholders. The diagnosis applies in particular to the issue of financing of sustainable development.

Research on sustainable development and its financing are desirable as a means to counteract the impact of negative externalities on the economy, society and the environment, and to provide comparable dynamics of development (but the growth as well) to its beneficiaries. It is worth noting the special role of sustainable development in tackling wider and socially harmful phenomena, namely the exclusion and increase of inequality.

Theoretical and empirical dimensions of sustainable development as a phenomenon of the research are important. Specifically, the volume of public and private funds allocated to the funding, the scale of the expected impact on the economy and society and the strategic dimension of the concept of being reflected in the public to public policy are each critical considerations requiring empirical study. Each highlights that the issue requires in-depth research and an analysis for identification reasons, conditions and efficiency of its financing.

The legitimacy of research on the financing of sustainable development is determined by the provision of funding is a prerequisite for the implementation of the concept. Financing and effective management of funds has an impact on the realization of the principles of sustainable development. Such determines the efficiency of sustainable development in itself, as it displays the efficiency and effectiveness of spending of funds for the purpose.