International Journal of Modern Education
IJMOE
EISSN: 2637-0905
Volume 7 Issue 28 (December 2025) PP. 296-302
DOI: 10.35631/IJMOE.728023

INTERNATIONAL JOURNAL OF MODERN EDUCATION (IJMOE)
www.ijmoe.com

GLOBAL ACADEMIC EXCELLENCE

INTEGRATING ESG PRACTICES IN PRIVATE HIGHER LEARNING EDUCATION FOR FINANCIAL SUSTAINABILITY

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Article Info:

Article history:
Received date: 28.08.2025
Revised date: 15.09.2025
Accepted date: 10.11.2025
Published date: 04.12.2025

To cite this document:

Salin, A. S. A. P., & Abd Wahab, R. (2025). Integrating ESG Practices in Private Higher Learning Education for Financial Sustainability. *International Journal of Modern Education, 7* (28), 296-302.

DOI: 10.35631/IJMOE.728023

Abstract:

The landscape of higher education is undergoing a profound transformation, with private institutions, in particular, navigating a complex and competitive environment. In this context, ensuring long-term financial sustainability has emerged as a paramount concern. This theoretical paper intends to discuss the concept of financial sustainability and underscore its critical importance for private higher learning education, drawing a comparative analysis with public institutions. This paper will then recommend Environmental, Social, and Governance (ESG) principles as a strategic imperative for achieving this sustainability, outlining the general tenets of ESG and its application in an organisational context. Finally, this paper highlights the key underexplored issues at the intersection of ESG and the financial viability of private higher education, setting the stage for the research problem this paper seeks to address.

Keywords:

ESG, SDGs, Sustainability, Financial Sustainability, Private University

Introduction

Financial sustainability, in the context of higher education, refers to an institution's ability to maintain and enhance its financial health over the long term, ensuring it can consistently fulfil its academic mission, meet its financial obligations, and adapt to evolving economic and social

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landscapes (EY, 2022). It is not merely about balancing budgets on an annual basis but encompasses the strategic management of resources, the diversification of revenue streams, and the prudent investment in initiatives that foster growth and resilience. A financially sustainable institution possesses the capacity to absorb financial shocks, invest in innovative programmes and infrastructure, and ultimately, secure its future for generations of students and scholars to come.

For private higher learning institutions, financial sustainability is not just a strategic goal. It is a prerequisite for survival and excellence. Unlike their public counterparts, private universities often operate with a greater degree of financial autonomy, which, while offering flexibility, also exposes them to greater market volatility and financial risks. This is because private institutions rely heavily on tuition fees, endowments, and private donations to fund their operations. A strong financial footing enables private universities to invest in state-of-the-art facilities, attract and retain top-tier faculty, offer competitive scholarships, and provide a high-quality student experience – all of which are critical to preserving a competitive edge in an increasingly crowded market (Hybrid, 2023). Private and public universities experience different pressures to maintain financial stability, primarily due to their funding sources. Public or government-assisted universities receive a significant portion of their funding from the government. This acts as a bit of a safety net; while government funding can go up or down, it provides a base level of support.

One of the mechanisms by which a private university can build a solid financial foundation is by employing a strategy that focuses on ESG, which stands for Environmental, Social, and Governance. ESG is a framework that is based on three pillars of its name and used to assess an organisation's business practices and performance on various sustainability and ethical issues. It provides a holistic view of a company's conscientiousness and its impact on the world beyond its financial statements.

The environmental pillar examines how a company performs as a steward of nature, which includes its impact on climate change through greenhouse gas emissions, its management of resources such as water and energy, its efforts in waste reduction and pollution control, and its commitment to biodiversity (EY, 2022). The social pillar focuses on how a company manages relationships with its employees, suppliers, customers, and the communities where it operates. Key considerations include labour standards, health and safety, diversity and inclusion, data privacy, and community engagement. The last pillar, governance encompasses the systems and processes that ensure a company is managed ethically, transparently, and in the best interests of its stakeholders.

The integration of ESG principles is increasingly recognised as a driver of financial sustainability. For organisations, including private higher education institutions, a robust ESG strategy can translate into many tangible financial benefits. For instance, being more energy-efficient (E) directly cuts down on utility bills. Building a stellar reputation as a fair and ethical employer (S) can attract top talent and more students. And being well-managed (G) reduces the risk of costly mistakes and builds trust with donors and investors (Whelan et al., 2021). A strong ESG strategy is not just about doing good; it's about being smart with your resources to ensure a secure and sustainable future.

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While the conceptual link between ESG and financial performance is gaining traction, its practical application and empirical validation within the specific context of private higher learning education remain significantly underexplored. The existing literature tends to focus more broadly on the corporate sector or on public universities, leaving a critical knowledge gap concerning the unique challenges and opportunities for private institutions. Key underexplored areas include the specific ESG strategies that are most relevant and impactful for private universities, the development of standardised metrics to measure ESG performance in this sector, and a robust understanding of the causal relationship between ESG adoption and long-term financial sustainability for these institutions.

A critical gap exists in the academic literature concerning the empirical evidence and practical frameworks for embedding ESG practices as a strategic driver of financial sustainability specifically within private higher learning institutions. While a plethora of studies have established a positive correlation between ESG performance and financial health in the corporate world (Friede et al., 2015; Whelan et al., 2021), there is a significant lack of dedicated research that translates these findings to the unique operational and financial realities of private universities. The current discourse is often high-level and conceptual, with a scarcity of empirical studies that quantify the impact of specific ESG initiatives on the financial sustainability of private higher education.

As a result, it is interesting to explore how private higher learning institutions can ensure their financial survival by integrating ESG in their strategy and decision-making. Higher education institutions are increasingly viewed not just as educators but as key societal actors with a responsibility to contribute to a more sustainable future (Leal Filho et al., 2019). Private universities play a crucial role in assisting the government in producing students who are qualified for the future workforce, thereby contributing to nation-building. Furthermore, regulatory and investor pressure for ESG disclosure and performance is growing globally, a trend that is likely to extend more formally to the non-profit and education sectors.

Based on this problem and situation, this study aims to address the following research question in the existing literature and practice:

How can the embedding of Environmental, Social, and Governance (ESG) practices enhance the financial sustainability of private higher learning institutions?

There are several research objectives of this study. First, to identify the key ESG drivers and indicators that have the most significant positive impact on the financial performance of private higher learning institutions. Second, to analyse the challenges and opportunities for private higher learning institutions to adopt and integrate ESG strategies into their core operations and financial planning. Third, to develop the ESG framework that can serve as the foundation for the financial sustainability of private universities.

This study will be significant for several stakeholders. For the leadership of private higher learning institutions, it will provide a much-needed evidence-based framework for leveraging ESG as a strategic tool for financial resilience. For policymakers and accrediting bodies, the findings will inform the development of policies and standards that encourage and support sustainable practices in the higher education sector. For academics and researchers, this study

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will contribute to the nascent body of literature on sustainable finance in education. Finally, for students, parents, and the broader community, this research will highlight the importance of institutional commitment to sustainability and ethical practices.

The originality of this study lies in its specific focus on the intersection of ESG practices and financial sustainability within the context of private higher learning education. Unlike previous studies that have examined these concepts in isolation or in different sectors, this research will provide a holistic and sector-specific analysis. The development of a tailored ESG framework for private higher education will be a unique and valuable contribution to the field.

This study is expected to make a few key contributions. In terms of policy, the findings can inform the development of national and institutional policies that incentivise and support the adoption of ESG practices in private higher education. This could include recommendations for a new framework for accreditation, funding, and reporting that incorporates ESG criteria. For practitioners, the study will produce a practical, actionable framework that private higher learning institutions can use to develop and implement ESG strategies that are aligned with their financial goals. This will include best practice and a set of key performance indicators for monitoring progress. For the body of literature, this research will contribute to the theoretical understanding of sustainable finance by extending its application to the non-profit higher education sector. It will test and potentially refine existing theories of the relationship between corporate social performance and financial performance within a novel context, and it will build a theoretical bridge between sustainability management and financial strategy in higher education.

ESG Integration in Higher Education Strategies

To secure a stable financial future, private higher learning institutions can strategically integrate Environmental, Social, and Governance (ESG) principles into their core operations. Moving beyond viewing sustainability as merely an ethical obligation, these strategies can unlock significant financial benefits, from operational savings to enhanced revenue streams. By classifying these strategies under the three pillars of ESG, institutions can create a holistic and powerful roadmap towards long-term financial resilience.

Environmental Strategies: Building a Green and Fiscally Sound Campus Development

Environmental initiatives often provide the most direct and quantifiable financial returns through cost savings and operational efficiency. For private universities, where budgets are tight and every dollar counts, these strategies represent a crucial starting point.

Implement Energy Efficiency and Renewable Energy Projects: One of the most effective strategies is to reduce energy consumption. This can range from simple, low-cost measures like switching to LED lighting and optimising HVAC schedules to match building occupancy to more significant capital investments like upgrading building automation systems (BAS) and installing solar panels on campus rooftops. These projects can cut utility expenses, which are often one of the largest controllable operating costs for a university, by 10–30% or more, freeing up millions of dollars that can be redirected to core academic missions (Noda, 2025). Furthermore, by generating their own clean energy, institutions can hedge against volatile energy prices, creating greater budget certainty.

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Embrace Sustainable Water and Waste Management: Implementing water-saving technologies, such as low-flow fixtures and smart irrigation systems for campus landscaping, can lead to significant reductions in water utility bills. A comprehensive waste management programme built on the "Reduce, Reuse, Recycle" (3R) principle not only lowers disposal costs but can also generate revenue. Some universities have successfully turned recycled waste into products with sale value, creating a new, albeit small, income stream while demonstrating environmental leadership (Supriyatin, 2022).

Develop Green Infrastructure and Transportation: Investing in green campus spaces and promoting sustainable transportation offers dual benefits. Increasing green areas while reducing vehicle roads and parking lots can lower infrastructure maintenance expenses and improve the aesthetic appeal of the campus (Günaydın & Yücekaya, 2020). Promoting cycling and walking and offering enhanced public or shuttle bus services reduces the campus's carbon footprint and the need for costly parking structures. These visible commitments to a healthier environment can be a powerful marketing tool for attracting environmentally conscious students and staff (Anthony Jnr, 2021).

Social Strategies: Investing in People for a Stronger Reputation and Revenue

Social strategies focus on relationships with stakeholders—students, staff, alumni, and the community. While the financial returns may seem less direct than environmental savings, they are profoundly impactful in building brand equity, attracting talent and students, and fostering a loyal donor base.

Enhance Student Well-being and Success: A primary social responsibility for any university is its students. Investing in robust student support services, mental health resources, and career development programmes directly impacts student retention. Since retaining a student is far less costly than recruiting a new one, improving retention rates has a direct positive effect on tuition revenue. A reputation for genuinely caring for students becomes a powerful differentiator in a competitive market.

One of the powerful ways of student investment is by investing in technology such as the adoption of artificial intelligence (AI). Lavidas et al. (2024) find that many students enjoy using AI in their study and that it provides tremendous support in their learning.

Cultivate a Strong and Inclusive Campus Community: Fostering a diverse, equitable, and inclusive campus culture is a moral imperative that also carries financial weight. Institutions known for their positive and inclusive environments are better able to attract and retain high-quality faculty and students from a wider talent pool. Furthermore, strong employee engagement and satisfaction are linked to higher productivity and lower turnover costs. Highlighting these social values can resonate deeply with prospective students and philanthropic donors who wish to be associated with socially responsible institutions (Rasoolimanesh et al., 2021).

Strengthen Community Engagement and Partnerships: Private universities do not exist in a vacuum. By actively engaging with the local community through service projects, partnerships with local businesses, and offering public access to certain facilities and programmes, an institution can build immense goodwill. This "social licence to operate" can translate into community support for campus expansion projects, mutually beneficial research partnerships with

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local industries, and an enhanced reputation that attracts students who value civic engagement (Nejati & Shafaei, 2023).

Governance Strategies: Ensuring Ethical Leadership and Stakeholder Trust
Governance is the bedrock of a sustainable institution. Strong, transparent, and ethical governance practices build trust among all stakeholders, from accrediting bodies and bond rating agencies to donors and parents. This trust is a critical financial asset.

Establish Transparent and Accountable Financial Stewardship: The board and senior leadership must demonstrate impeccable financial oversight. This includes implementing robust risk management frameworks, conducting regular financial health assessments, and maintaining clear, transparent financial reporting. Such practices are essential for securing favourable credit ratings, which lower the cost of borrowing for capital projects like new laboratories or residence halls (Bhojraj & Sengupta, 2003). Effective management of contributions through good governance encourages donors to make larger and more frequent gifts.

Integrate ESG into Strategic Planning and Risk Management: Rather than treating ESG as a separate initiative, it must be embedded within the institution's highest-level strategic plan. This means formally identifying ESG-related risks (e.g., climate events, shifts in social expectations) and opportunities (e.g., new green revenue streams) and aligning budget and resource allocation accordingly. An integrated approach ensures that sustainability is not just a minor activity but a core component of the institution’s long-term financial strategy.

Foster a Culture of Ethics and Stakeholder Engagement: Good governance extends beyond the boardroom. It involves creating a culture of ethical behaviour across the entire institution and establishing formal channels for stakeholder feedback. Engaging with faculty, staff, students, and alumni in key decisions fosters a sense of shared ownership and can lead to more innovative and effective solutions. Institutions that are considered responsive and well-governed are more likely to build the strong, long-term relationships with alumni and donors that are crucial for financial sustainability (Baker Tilly, 2025).

Conclusion
In an era where private higher learning institutions are navigating an increasingly competitive and financially challenging landscape, the pursuit of long-term financial sustainability has transitioned from a strategic goal to an imperative for survival. This paper has argued that embedding ESG principles in decision-making and operations is one of the essential strategies for achieving this financial resilience. By moving beyond viewing ESG as a cost centre, university leaders can unlock its potential as a driver of efficiency, a magnet for revenue, and a bedrock of stakeholder trust. In short, using ESG is a wise investment in a university's future. It helps the institution become stronger, more respected, and better prepared for any financial challenges ahead. By linking its financial goals with its responsibility to people and the planet, a private university can ensure it will be around to serve students and society for a long time.

Acknowledgement
We would like to acknowledge all the faculty members for their inspiration, suggestions, and motivation. We extend our heartfelt appreciation to all who have contributed for this paper.

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