



AN EMPIRICAL STUDY ON GREEN FINANCE IN HOTEL MANAGEMENT: PROMOTING ECO-FRIENDLY BUSINESS MODELS IN THE HOSPITALITY SECTOR IN GUJARAT REGION

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ABSTRACT:

KEYWORDS:

PAPER ACCEPTED DATE:

1st April 2025

PAPER PUBLISHED DATE:

4th April 2025

PAPER DOI NO:

10.5281/zenodo.15147657

PAPER DOI LINK:

<https://zenodo.org/records/15147657>

1. INTRODUCTION

As a keystone of global tourism, the hospitality industry plays a vital role in economic development, creating jobs, driving revenue, and supporting local communities. In India, particularly in regions like Gujarat, the industry has expanded rapidly due to the arrival of domestic and international tourists, an expanding middle class, and the government's push for tourism. The growing number of hotels, especially in luxury and eco-tourism segments, has increased resource demand, leading to significant environmental impacts. Hotels are traditionally concentrated consumers of water, energy, and various materials, which can contribute to pollution, resource reduction, and waste generation. Recognizing these challenges, the industry is now at a critical stage where environmental sustainability has become not only a priority but also a business imperative. There is a pressing need to adopt eco-friendly practices that minimize the environmental impact without compromising profitability or service quality.

Amidst these environmental and operational challenges, green finance has emerged as a promising solution for development sustainability within the hospitality sector. Green finance refers to financial products and services that

support projects or practices with positive environmental outcomes. This approach provides hotels with the financial means to invest in eco-friendly infrastructure, renewable energy solutions, efficient waste management systems, and water conservation programs. Financial instruments like green bonds, sustainable loans, and renewable energy grants enable hotels to implement these changes, thus promoting a business model that aligns profitability with environmental stewardship. Such practices not only reduce costs in the long term but also enhance the hotel's reputation, appeal to environmentally conscious consumers, and comply with emerging regulatory standards that favour sustainable business operations.

In Gujarat, where the hotel industry is thriving, the application of green finance remains in its beginning. Despite a growing awareness of sustainability's importance, many hotels face obstacles in adopting green finance. Key challenges include limited knowledge of green financing options, perceived financial risks, the initial cost of investment, and an absence of robust policy frameworks to support sustainability efforts. Furthermore, smaller hotels often lack the resources or expertise to pursue sustainable financing independently. However, several

pioneering hotels in Gujarat have successfully adopted green finance to introduce eco-friendly practices, gaining benefits such as operational cost savings, higher resource efficiency, improved brand image, and international sustainability certifications.

This study aims to provide an empirical exploration of how green finance can promote sustainable business models in the hotel industry within Gujarat. Through a mixed-method approach, it examines both the financial impacts and practical challenges of adopting green finance in the region's hospitality sector. Primary data collected from interviews with finance managers of five-star hotels and secondary data from industry reports and case studies provide a comprehensive view of green finance's potential to transform the industry. The research will assess various green financial tools, including green bonds and sustainable loans, and evaluate their effectiveness in supporting renewable energy initiatives, waste reduction, and water conservation measures.

The consequence of this study lies in its potential to inform policymakers, financial institutions, and hotel management about the opportunities and limitations of green finance within Gujarat's hospitality sector. By identifying key areas where green finance can drive environmental and economic benefits, this research seeks to encourage the development of supportive frameworks and accessible financing options. Such initiatives are essential to fostering a sustainable hospitality industry in Gujarat, paving the way for eco-friendly growth that benefits businesses, communities, and the environment alike.

2. REVIEW OF LITERATURE

Gupta & Verma (2018), "*Challenges and Opportunities in Adopting Green Finance for Sustainable Tourism Development*"- In their 2018 paper, Gupta and Verma explore both the barriers and potential of green finance within sustainable tourism. They identify key challenges, including insufficient policy frameworks, limited awareness among stakeholders, and the high upfront costs of eco-friendly investments, which deter smaller tourism businesses. Despite these barriers, the authors highlight significant opportunities: green finance can reduce operational costs, enhance brand value, and attract environmentally conscious customers. They emphasize that, with supportive policy interventions and increased financial literacy, green finance could play a transformative role in advancing sustainable practices across the tourism and hospitality sectors.¹

In their 2019 study, **Zhang et al.** conclude in the research paper, "*Green Finance: A Tool for Sustainable Development*" that green finance is a pivotal tool for promoting sustainable development across various industries, including hospitality. The authors emphasize that green finance—through instruments like green bonds, eco-loans, and environmental grants—supports projects that align with sustainable development goals, particularly by encouraging businesses to reduce their carbon footprint and adopt resource-efficient practices. The study finds that

while green finance has substantial potential to drive eco-friendly transformations, its success relies on strong policy frameworks, incentives for adoption, and widespread awareness among businesses. Zhang et al. advocate for greater collaboration between financial institutions and policymakers to expand green finance accessibility and effectiveness.²

In their 2019 study, **Malik et al.** conclude in the research paper namely, "*Barriers to Implementing Green Finance in the Hotel Industry*" that several barriers hinder the implementation of green finance within the hotel industry, limiting the sector's shift toward sustainability. The authors identify primary obstacles, such as high initial costs for eco-friendly projects, limited access to green financing options, and a lack of awareness about the benefits of green finance among hoteliers. Additionally, they highlight regulatory challenges and a shortage of government incentives, which further discourage adoption. Malik et al. suggest that addressing these barriers will require tailored financial support, increased policy backing, and initiatives to raise awareness about green finance's economic and environmental advantages.³

Chen et al. (2020) explore the impact of green finance on eco-friendly practices in the hotel industry, particularly focusing on "green hotels" that utilize sustainable financial resources to implement environmentally friendly operations. The study examines a range of green finance tools, such as green bonds and sustainable loans, and their role in enabling hotels to invest in energy-efficient technologies, waste management systems, and water conservation efforts. Chen et al. identify several challenges, including the high initial cost of green investments and a lack of supportive infrastructure and policy frameworks, which can deter smaller hotels from accessing green finance. The study concludes that green finance is instrumental in transforming hotels into sustainable businesses by providing the necessary capital for eco-friendly improvements. However, the authors recommend further policy support, awareness-building, and financial incentives to make green finance more accessible and appealing across the hotel industry.⁴

Pereira's (2020) study investigates how financial instruments like green bonds, sustainable loans, and environmental grants support the shift towards green business models in the hospitality industry. The research emphasizes the role of these financial tools in helping hotels adopt eco-friendly practices, such as renewable energy usage, efficient waste management, and water conservation. Pereira notes barriers to widespread green finance adoption, such as initial investment costs, limited awareness, and regulatory challenges that can impede accessibility for smaller hotels. The study concludes that green finance is essential for promoting sustainability in hospitality, enabling hotels to meet environmental goals while enhancing financial performance. Pereira recommends policy incentives, accessible financial products, and greater awareness to support the broader adoption of green finance in the industry.⁵

Thapa's (2021) study focuses on the role of green finance in fostering sustainable practices within the hospitality and tourism sectors in emerging markets. Using case studies from regions in Southeast Asia and South America, the research highlights how green financial instruments, like eco-loans, grants, and green bonds, support hotels in implementing environmentally friendly practices despite resource limitations. Thapa identifies barriers unique to emerging markets, including limited access to green finance options, low financial literacy on sustainable practices, and inadequate policy support that hampers the adoption of green finance. Thapa concludes that green finance has significant potential to drive sustainability in hospitality across emerging markets, yet its success depends on improving access to financial resources and creating supportive policy frameworks. The paper suggests collaboration between governments, financial institutions, and hotel associations to boost awareness and facilitate green finance access, making sustainability achievable for a wider range of businesses.⁶

In their 2021 study, **Lopez and García** assess the economic impact of green finance on the hotel sector, analyzing how sustainable financial tools—such as green bonds, eco-loans, and environmental grants—affect the financial performance of hotels adopting eco-friendly practices. The study uses quantitative data to evaluate cost savings, return on investment (ROI), and overall profitability associated with green finance-backed sustainability projects. Lopez and García identify challenges in green finance adoption, such as high initial costs, limited financial literacy on green finance benefits, and the need for supportive policies to encourage smaller hotels to invest in sustainability. The study concludes that green finance economically benefits the hotel sector, enhancing long-term profitability while supporting environmental goals. Lopez and García recommend policy incentives, training programs for hotel management, and increased availability of green finance options to make these economic benefits accessible to more hotels, especially smaller establishments.⁷

Ahmed and Bashir (2022) explore the impact of green finance on sustainable tourism using a case study approach, highlighting how eco-financing supports environmental practices within the hospitality sector. The study concludes that green finance—through instruments like sustainable loans and green bonds—plays a crucial role in enabling hotels to invest in renewable energy, water conservation, and waste management, reducing their ecological footprint. However, Ahmed and Bashir note challenges such as high initial costs and limited access to green finance in certain regions. They recommend that increased policy support and financial incentives are essential to make green financing more accessible, promoting sustainability on a larger scale within tourism.⁸

Kannan's (2022) systematic review examines the evolution of green finance within the hospitality industry, analyzing its development, applications, and impact on sustainability practices over time. The study concludes

that green finance, through tools like green bonds, eco-loans, and environmental grants, has been instrumental in promoting energy efficiency, waste reduction, and water conservation in hotels. However, Kannan highlights ongoing challenges, such as inconsistent policy support, high initial costs, and limited awareness among smaller hotels. The review suggests that for green finance to be fully effective in the hospitality sector, broader policy frameworks, increased accessibility, and awareness initiatives are needed to encourage the widespread adoption of sustainable practices.⁹

3. NEED

Research on "An Empirical Study on Green Finance in Hotel Management: Promoting Eco-Friendly Business Models in the Hospitality Sector in Gujarat Region" is essential given the significant environmental impact of the hospitality industry. As one of the largest consumers of resources, hotels contribute substantially to energy, water, and waste production. With tourism on the rise in Gujarat, addressing the ecological footprint of hotels is becoming critical, and exploring green finance as a solution to fund sustainable practices is timely and necessary. Globally, green finance has gained traction, yet its adoption within the hotel industry—particularly in regions like Gujarat—remains limited. Many hotels face challenges in accessing green finance due to gaps in awareness, perceived financial risks, and lack of policy support. Identifying these barriers and exploring opportunities to enhance green finance adoption is crucial for fostering eco-friendly growth.

Green finance provides the hospitality sector with the potential to reduce operating costs through investments in energy efficiency, water conservation, and waste management. Studying its application in the Gujarat region can help illustrate these economic benefits, including long-term cost savings and improved return on investment (ROI), which may encourage more hotels to pursue sustainable financing options. Additionally, research is vital as consumer demand increasingly favours environmentally conscious brands, giving hotels that adopt green practices a competitive edge. Understanding how sustainable business models can enhance customer loyalty, improve brand reputation, and attract eco-conscious guests can be instrumental for hoteliers seeking to strengthen their market appeal.

Furthermore, for green finance to become accessible, supportive policies and institutional backing are essential. This research can offer valuable insights to policymakers and financial institutions in Gujarat, helping them design frameworks and incentives that encourage sustainable financing within the hospitality sector. Aligning with Sustainable Development Goals (SDGs), especially those promoting responsible consumption and climate action, green finance directly supports environmental objectives. By studying this area, the research aims to bridge the gap between financial sustainability tools and environmental needs in Gujarat's hospitality sector, fostering a foundation for eco-friendly growth and policy improvements.

4. OBJECTIVES

- To evaluate the role of green finance in promoting eco-friendly business practices within Gujarat's hospitality sector
- To identify and analyze the challenges and barriers faced by hotels in adopting green finance
- To assess the economic and operational impact of green finance-backed sustainable practices on hotels' performance

5. RESEARCH METHODOLOGY

RESEARCH DESIGN

This study employs an empirical research design to investigate the role of green finance in fostering eco-friendly business practices within the hospitality sector of Gujarat. The focus is on understanding the current adoption levels, challenges, and benefits associated with green finance among hotels in various cities within the state. The research relies on a mixed-methods approach, utilizing both quantitative and qualitative data to provide a comprehensive view of green finance practices. Primary data is collected through structured questionnaires distributed to key managerial personnel in 49 selected hotels across Ahmedabad, Bhavnagar, Rajkot, Surat, and Vadodara. This direct approach allows for collecting first-hand insights from professionals involved in decision-making processes

related to green finance. In addition to primary data, secondary data sources—including academic articles, industry reports, and government publications—are reviewed to contextualize the findings and support the analysis. By combining these data sources, the research aims to provide a well-rounded understanding of green finance in the region's hospitality sector and its impact on sustainable business practices.

SAMPLING METHOD

A purposive sampling method was employed to select hotels for this study, with an emphasis on obtaining a representative sample across key cities in Gujarat, namely Ahmedabad, Bhavnagar, Rajkot, Surat, and Vadodara. A total of 49 five-star and luxury hotels were chosen based on their prominence and potential for implementing green finance initiatives, ensuring that the sample encompasses diverse perspectives on the adoption of eco-friendly practices. This sample size provides a balanced view that is sufficiently large to enable meaningful quantitative analysis while being manageable for in-depth qualitative assessment. Respondents primarily included finance managers, general managers, and sustainability coordinators, as these roles are directly involved in financial decision-making and sustainability efforts within hotel management. This targeted sampling ensures that the insights gathered are relevant to the study's objectives and reflect the challenges and motivations related to green finance in the hospitality industry.

6. FINDING AND ANALYSIS

6.1 CITY-WISE HOTEL VS. HOTELS USING GREEN FINANCE

City	Using of Green Finance		Grand Total
	No	Yes	
Ahmedabad	3	5	8
Bhavnagar	6	4	10
Rajkot	8	6	14
Surat	3	7	10
Vadodara	4	3	7
Grand Total	24	25	49

The table presents an analysis of the adoption of green finance practices across 49 hotels in five major cities of Gujarat. In Ahmedabad, out of a total of 8 hotels, 5 have implemented green finance initiatives, while 3 have not. Bhavnagar shows a different trend, with 4 out of 10 hotels using green finance, leaving 6 without such practices. In Rajkot, the uptake is relatively balanced, with 6 hotels adopting green finance and 8 opting not to. Surat demonstrates a higher adoption rate, with 7 out of 10 hotels utilizing green finance methods compared to the remaining 3 that do not. In Vadodara, green finance

adoption is seen in 3 out of 7 hotels, while the other 4 do not engage in such practices. Overall, of the 49 hotels surveyed, 25 hotels (approximately 51%) have adopted green finance initiatives, while 24 hotels (49%) have not, indicating a nearly even split in the adoption of sustainable finance practices across the sampled hotels in these cities. This distribution reflects varying levels of engagement with eco-friendly financial models within the hospitality sector in Gujarat, underscoring potential areas for growth and increased awareness.

6.2 GREEN FINANCE OPTION KNOWN VS. BELIEF IN GREEN FINANCE BENEFIT

Belief in Green Finance Benefit						
Green Finance Option Known	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree	Grand Total
No Option Known	2	-	-	-	1	3
Environmental Grants	1	2	2	1	4	10
Green Bonds	1	2	1	2	3	9
Multiple Options	2	1	2	1	6	12
Not Familiar	1	1	-	-	1	3
Sustainable Loans	1	5	-	3	-	9
Tax Incentives	1	1		1		3
Grand Total	9	12	5	8	15	49

The table summarizes respondents' beliefs regarding the benefits of green finance in the hotel industry, categorized by their familiarity with various green finance options. Out of 49 respondents, a variety of opinions were expressed across different green finance options. Of those unfamiliar with any green finance options, 2 agreed with the benefits, and 1 strongly disagreed. Among respondents aware of "Environmental Grants," 1 strongly agreed, 2 agreed, 2 were neutral, 2 disagreed, and 4 strongly disagreed with the perceived benefits, totalling 10 responses. For "Green Bonds," 2 respondents strongly agreed, 1 agreed, 1 was neutral, 2 disagreed, and 3 strongly disagreed, also totalling 9. Respondents aware of multiple options had

mixed beliefs, with 1 strongly agreeing, 2 agreeing, 2 neutrals, 1 disagreement, and 6 strong disagreements, making 12 in total. Among those unfamiliar with green finance, opinions were split between agree (1), neutral (1), and strongly disagree (1), totalling 3 responses. For "Sustainable Loans," beliefs were varied, with 3 strongly agreeing, 1 agreeing, and 5 disagreeing, resulting in 9 responses. Lastly, among those familiar with "Tax Incentives," 1 respondent strongly agreed, 1 agreed, and 1 strongly disagreed, totalling 3. This data indicates diverse perspectives on the benefits of green finance, with significant scepticism or lack of strong endorsement across various options.

6.3 PROJECT FUNDED BY GREEN FINANCE VS. MOTIVATION FOR GREEN FINANCE

Motivation for Green Finance						
Project Funded by Green Finance	Brand Image	Cost Savings	Environmental Impact	Multiple Reasons	Regulatory Compliance	Grand Total
-	-	1	3	-	-	4
Energy Efficiency	2	-	1	2	2	7
Multiple Projects		1	2	1	5	9
None	1	1	1	4	3	10
Renewable Energy	2	2	1			5
Waste Management	2			1	2	5
Water Conservation		6	1	2		9
Grand Total	7	11	9	10	12	49

The data in this table explores the relationship between

hotel projects funded by green finance and the motivations

for pursuing green finance initiatives. Among the 49 hotels surveyed, various motivations were highlighted across different types of projects. For instance, "Water Conservation" projects were prominently associated with "Cost Savings," with six hotels motivated by this factor, while two other hotels in this category cited

"Environmental Impact" and multiple reasons, respectively. "Renewable Energy" projects had a relatively balanced distribution of motivations, with "Brand Image" and "Cost Savings" both appearing twice, showing a tendency to view green finance as beneficial for reputation and financial efficiency. Meanwhile, "Energy Efficiency"

projects were often driven by diverse motivations, including "Brand Image," "Environmental Impact," and "Regulatory Compliance." Hotels involved in "Multiple Projects" displayed a strong preference for "Regulatory Compliance," reflecting an understanding of the legal and societal benefits of green initiatives. Interestingly, hotels with no specific projects funded by green finance also cited multiple motivations, with a notable focus on "Regulatory Compliance" and "Environmental Impact," indicating a general awareness of sustainability benefits even without dedicated projects.

6.4 IMPACT ON OPERATIONAL COST VS. IMPACT ON BRAND IMAGE

Impact on Brand Image					
Impact on Operational Cost	Moderate	Negative	No Impact	Significant	Grand Total
Increase	1	4	2	1	8
Moderate Reduction	5	-	3	2	10
No Impact	1	2	5	5	13
Not Applicable	1	1	1	2	5
Significant Reduction	1	-	4	8	13
Grand Total	9	7	15	18	49

The analysis of the impact on operational costs versus the impact on brand image provides insights into how various operational cost changes influence the perception of brand image among the sampled hotels. Out of 49 responses, the highest proportion, representing significant reductions in operational costs, corresponds with a significant positive impact on brand image, as observed in 8 hotels. This indicates that when operational costs are significantly reduced, hotels are more likely to see an enhancement in their brand image.

Moderate reductions in operational costs also show a favorable trend, with 5 hotels reporting a moderate impact and 2 hotels reporting a significant impact on brand image. Meanwhile, a smaller group of hotels (3) experiencing moderate reductions in costs report no impact on brand image, suggesting that moderate cost changes may not consistently drive brand perception.

On the other hand, for hotels that reported no impact on operational costs, responses were varied: 5 hotels saw a moderate improvement in brand image, and another 5 observed a significant impact, while 5 saw no impact. This variation suggests that factors beyond operational cost changes might influence brand image perception in such cases.

Interestingly, among the hotels that experienced an increase in operational costs, 4 reported a negative impact on brand image, indicating that cost increases may detrimentally affect brand perception. However, 1 hotel experiencing cost increases noted a significant positive

impact on brand image, which could reflect a unique strategic positioning or offsetting factors.

In summary, the data suggests that reductions in operational costs, particularly significant ones, are positively associated with an enhanced brand image, reinforcing the value of cost efficiency as a driver for brand perception in the hospitality sector.

7. CONCLUSION

The findings from "An Empirical Study on Green Finance in Hotel Management: Promoting Eco-Friendly Business Models in the Hospitality Sector in Gujarat Region" reveal critical insights into the adoption, motivation, and impact of green finance practices in the region's hospitality industry. Out of the 49 hotels surveyed across major cities in Gujarat, a near balance was observed between those utilizing green finance (25) and those not yet participating (24). Cities like Surat and Ahmedabad displayed a stronger inclination toward green finance, underscoring regional differences in awareness and adoption levels.

Motivations behind adopting green finance varied significantly among the hotels. Cost savings, brand enhancement, regulatory compliance, and environmental impact were commonly cited, with projects related to energy efficiency, water conservation, and waste management emerging as key areas funded through green finance. This diversity in motivations illustrates how green finance is perceived as a multifaceted strategy not only to achieve compliance but also to enhance brand reputation and operational efficiency.

The impact analysis revealed that hotels experiencing significant reductions in operational costs often reported a positive impact on brand image, with 8 hotels showing a notable improvement in brand perception. This underscores the dual benefits of green finance in reducing costs and enhancing brand value, especially in environmentally conscious market segments. Conversely, hotels that saw increases in operational costs tended to report a negative impact on brand image, highlighting the challenges faced by those who struggle to balance sustainability efforts with cost-effectiveness.

In conclusion, the study affirms that green finance can effectively promote eco-friendly business models in the Gujarat hotel industry, driving both operational savings and brand enhancement. However, it also suggests the need for greater awareness and support to enable more hotels to transition to sustainable financing. Green finance, if integrated effectively, could serve as a pivotal tool in fostering a sustainable hospitality sector that aligns with global environmental goals and enhances the industry's competitive positioning.

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