

# Chapter 12

## Sustainable Finance's Effect on the Green Economy by the Mediation of Corporate Governance in the Horn of Africa

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### **ABSTRACT**

*This chapter examines the interdependencies among financial sustainability, governance by community-based corporates, and the economics of green ecosystem. Through the use of a quantitative investigation approach, the results show that good governance by community-based corporates has a major positive impact on sustainable financing activities, which in turn helps to advance the development of a strong economics of green ecosystem. Regression analysis reveals that financial sustainability plays a key role in promoting environmental sustainability and governance by community-based corporates. It also delivers convincing experiential indications in support of including ecological, communal, and authority deliberations into in commercial decision-making. This chapter highlights the need for companies to*

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*create comprehensive governance structures that link their financial plans to their sustainability goals. It also offers executives and policymakers practical guidance on collaborative initiatives that can foster and support sustainable practices.*

## INTRODUCTION

The knowledge of open innovation has however gone round in today's highly competitive multinational place of technology driven market, and especially among the SMEs in emerging market in the part of Africa such as Eastern part (Adula & Kant, 2024). They have been referring to this concept as the “open innovation” by Henry Chesbrough which defines the step up the innovation processes through the use of external and internal knowledge and technologies. It has become particularly substantial in recent years as companies are keen on enhancing their competitive advantage in the background of the fast-growing technology and multi-national environment. The Eastern part of Africa represents the interesting business environment for the elaboration if how open innovation and crowdsourcing mechanisms can help to strengthen the position of SMEs since it is characterized by unique opportunities and challenges for doing business (Cricelli et al., 2022). Researchers started to realize the shortcomings of conventional innovation methods that only used internal resources in the early 2000s, which is when the knowledge of open innovation first emerged. Since then, empirical research has demonstrated the advantages of open innovation, including enhanced product-place of technological based market fit, quicker development cycles, and more access to a variety of knowledge pools. Even though studies have emphasized these benefits, there is still a dearth of research that focuses only on SMEs in the Eastern part of Africa. Given the region's capacity for entrepreneurship and innovation, which may be stimulated by successful open innovation initiatives, this disparity is especially worrisome (Mishra et al., 2024).

SMEs in the Eastern part of Africa confront real-world obstacles that prevent them from implementing open innovation, despite its potential. These include a lack of knowledge or comprehension of open innovation methods, restricted access to technology, and poor infrastructure (Kant & Adula, 2024). Also, the function of crowdsourcing—a crucial element of open innovation—has not been well investigated in this setting. By using the collective intellect of a large audience, crowdsourcing may enhance the advantages of open innovation. However, SMEs sometimes find it difficult to use crowdsourcing tools successfully because of cultural and resource limitations (Pundziene et al., 2022). By examining the influence of open innovation on competitive advantage through crowdsourcing among SMEs in the Eastern part of Africa, this chapter seeks to close these disparities. Future scholars and policymakers will benefit greatly from this study's analysis of how these SMEs may use open innovation and crowdsourcing. In order to augment the creative capacities of SMEs in the area, it will highlight best practices, manifested strategic advice, and manifested frameworks that might be implemented.

This study's main inquiry is: “***The study seeks to find out how crowdsourcing-mediated open innovation affects competitive advantage of SMEs in the Eastern part of Africa.***” An understanding of this link is necessary to design targeted strategies that will allow SMEs to harness outside talent effectively. Besides filling the explained gaps in the existing literature, this study also endeavors to manifested guidelines for practitioners and policymakers who are embarked on the creation of a viable entrepreneurial business climate in the Eastern part of Africa. The purpose of this research is to contribute to the identification of possible creative ideas for an appropriate economic development of the area addressing the theoretical and practical problems.

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