International Journal of Advanced Research in Commerce, Management & Social Science (IJARCMSS)
(An International Quarterly Multidisciplinary Open Access Double Blind Peer Reviewed Refereed Journal)
ISSN :2581-7930 (Online), Impact Factor (Cosmos): 7.270 & PIF (I2OR): 5.010, Volume 09, No. 04(I), October-December, 2026, pp 25-38

Financial Literacy and Green Finance: A Systematic Literature Review

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Citation: *Kathuria, A. (2026). Financial Literacy and Green Finance: A Systematic Literature Review. International Journal of Advanced Research in Commerce, Management &Amp; Social Science, 09(04(I)), 25–38. https://doi.org/10.62823/ijarcmss/9.4(I).9609*

Abstract

Investments in green projects have become important in the present era due to environmental concerns and the need for sustainable development has arisen. However, the participation of individuals is limited when green projects or green investing is concerned. Financial literacy is one of the reasons which may influence investment in green projects as individuals with financial awareness and financial knowledge are able to make informed investment decisions. It may also depend on individual's willingness and understanding to invest in green projects. This study will be focusing on examining the relationship between financial literacy and green finance and what factors are held responsible for boosting green investment decision making among individuals. A systematic literature review approach is adopted by examining existing literature from 2010 to 2026 which focuses on sustainable financial literacy, green finance, financial literacy and the factors affecting green investment decision making such as policies awareness, government policies effectiveness, financial awareness programs, environmental awareness and many more. Based upon the literature review, it concludes that financial literacy has strong relationship with green finance but financial literacy is not the only factor which influences green finance there are various other factors which influences investments in green projects like policy awareness, government subsidies, digital financial literacy, sustainable financial literacy, environment awareness, policies effectiveness and fintech adoption. This study also suggests the policymakers to make effective policies which makes active participation in green projects. Secondly, financial education programs should be implemented for adults as well as financial literacy must be taught as a subject to every child through formal mode of education. Thus, this study helps in understanding the factors which influence the relationship between financial literacy and green finance identifies the areas for future research.

Keywords: *Green Finance, Financial Literacy, Sustainable Financial Literacy, Fintech Adoption, Government Initiative, Policies Awareness, Digital Financial Literacy, Financial Education.*

Introduction

Financial literacy means having the knowledge, understanding, skills, attitudes, and ability to make informed and appropriate decisions about money and financial products. "A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being." (International Network on Financial Education). According to the World Bank, financial literacy is narrow in scope as it focuses on individual's knowledge and awareness of personal finance, financial concepts and financial products.

Financial Literacy as a concept includes:

- Awareness of financial products and institutions
- Understanding of financial concepts and risks
- Availability of different financial services in the market

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- Practical understanding of using financial services
- Understanding about the financial skills and good knowledge about finance

Financial literacy and awareness are the foundation on which long term decision making about investments take place. This not only provides information or knowledge about the financial world but it also reflects how individuals perceive, understands and apply while taking investing decisions and at the same time regulatory body must ensure that companies and financial institution must be held responsible for customer data and financial transactions (Costa et al.,2023).

Understanding the financial world becomes important not just for economic productivity but also to manage the personal finances of individuals (Murugiah, 2016). People who lack knowledge about basic financial concepts, they may face difficulty in taking decisions related to financial management, whereas People who are financially literate they make informed financial decisions regarding saving, investing, borrowing, and more. (Klapper et al., 2015)

Financial ignorance avoids profitable investment projects which can be made with awareness and understanding of the concepts. (Lusardi and Tufano, 2015). It also may sometimes lead to more of borrowing cost and less savings for future (Stango and Zinman, 2009) whereas financial literacy not only gives understanding of profitable opportunities but helps in taking decisions that ensure better job planning and savings for retirement. (Behrman et al., 2012; Lusardi and Mitchell, 2014)

In simple words, it ensures how money works and how financial knowledge can be applied to make good financial decisions. Thus, it is the ability to understand financial information and apply it while making financial decisions.

Green finance is a combination of two aspects “green” and “finance”. The word green is associated with the environment, sustainability, and the protection of natural resources, whereas “finance” refers to the management, investment, and allocation of money. When these two concepts are combined, green finance term is ascertained. Green finance refers to the process of directing financial resources towards investments and activities that generate financial benefits while also contributing to environmental. In other words, investment in green finance encourages individuals, businesses, and institutions to make financial decisions that can provide economic returns and doesn’t harm the environment and contribute towards sustainable development and environment protection. “It is a phenomenon that combines the world of finance and business with environmentally friendly behaviour”. Contrary to the traditional financial activities, green finance focuses more on environment benefit and pays more attention to those measures that protect environment. (Yao Wang a, Qiang Zhia, 2016)

Financial literacy and green investments are closely interconnected. Financial literacy is one of the most important determinants of green investment decision-making, as financially literate individuals are able to better understand investment risks, returns, long-term financial implications, and the potential environmental benefits associated with sustainable investments of making green investments. There are other determinants that effect green investment decision making such as environmental awareness, risk perception, social influence, investment preferences, and perceived returns. Financial literacy plays a significant role by enabling individuals to evaluate and make informed decisions regarding green projects. Thus, higher levels of financial literacy may encourage individuals to allocate their financial resources toward investments that generate both economic returns and positive environmental outcomes.

This study will be focusing on systematic review of research papers published in scholarly literature to assess whether and to what extent financial literacy influences individuals’ willingness and ability to invest in environmentally sustainable or green projects. It will be focusing on examine the existing body of research on the relationship between **financial literacy and green investment decision-making.** It will also be considering other psychological and socioeconomic factors such as environmental awareness, perceived financial returns, risk perception, social influence, trust, investment preferences that may influence green investment decisions.

The review will also examine whether higher levels of financial literacy involve greater level of investment in green projects or whether a gap exists between **financial knowledge and actual green investment behaviour** and what factors may prevent financially literate individuals from investing in green projects despite possessing adequate financial knowledge.

It will also explore the policies or measures that could help to bridge the gap between financial literacy and actual investment behaviour in green projects .It will also examine the potential measures that can be taken for improving and creating supportive regulatory and financial frameworks such as improving

financial and environmental education, increasing transparency and availability of information regarding green financial products, developing appropriate incentives, strengthening investor awareness that can encourage greater participation in green investments and contribute to the broader objectives of sustainable finance and environmental sustainability

Literature Review

Financially literate people are often more confident when it comes to making long term investment decisions as they better evaluate the risk and return associated with different investment alternatives. This enables them to make informed sustainable investment decisions thus more investments towards green projects. (Upadhyaya and Jope, (2025))

Another study was conducted on FinTech Adoption, Green Finance, and Financial Literacy which finds out that financial literacy plays a mediating role in the transformation of digital financial literacy and green financial awareness into sustainability oriented behavioural outcome. It states that financial literacy plays an important role between fintech adoption and sustainable consumer behaviour. The model explains that 69.2% of the variance is explained by financial literacy in sustainable consumer behaviour. Thus, it provides us an understanding that financial literacy plays an important role in promoting green investment behaviour among individuals. Therefore, initiatives should be taken by policymakers, educators, fintech providers to boost and promote financial education and create financial awareness among individuals to encourage environment responsible investment decision thereby broadly supporting sustainability goals (Prasad and Reddy,2026)

- **Financial Literacy and Sustainable Products**

A direct correlation exists between financial literacy and sustainable products. Individuals with higher level of financial literacy allocate greater proportion of their financial resources towards sustainable investment funds and gives more preference to sustainable products Thus, engage towards more environmentally friendly practices. (Christopher and Nithya (2024)

Many studies have conducted the relationship between financial literacy and green finance, and it was found that there exists a strong relationship between individuals' financial knowledge and green investment. However, having adequate financial knowledge and a positive attitude towards sustainable or green investments does not necessarily guarantee demand for green financial products and investments in green projects. Thus, there is a need of subsidy policy and promotion of financial and Eco literacy among individuals for green financial products and investments. (Bethlendi, A., Nagy, L., & Póra, A. (2022)

This suggests that there exists a behaviour and attitude gap among individuals**,** wherein financial literacy and favourable attitude towards green investments may not be sufficient to motivate individuals to make actual green investment decisions. Therefore, it is important to examine the additional factors that actually influences behaviour and make actual investment towards environmentally sustainable projects.

- **Digital Financial Literacy and Sustainable Financial Decisions**

Digital financial literacy (DFL) significantly affects sustainable financial decisions (SFD) ($\beta=0.518$, $p<0.001$). Environment awareness partially mediates the relationship between DFL and SFD ($\beta=0.345$, $p<0.001$). This highlights that financial literacy alone may not be sufficient to encourage sustainable financial behaviour, greater environmental awareness may strengthen sustainable projects decision making.

Similarly, demographic characteristics particularly age and income also play an important role in influencing EC and SFD. SFD is more prevalent in young and urban communities which highlights that demographic inequalities may become an important factor of study and suggests that these inequalities held responsible for not encouraging actual investment decision making in green projects. Therefore, there is a need for financial inclusion and financial awareness among rural and financially underserved populations, to promote more inclusive participation in sustainable finance. (Gupta, H., & Yadav, M. (2026))

- **Financial Education, Policy Awareness and Government Initiative**

A study measured the Impact of Government Subsidies, Financial Literacy, and Policy Awareness in Consumer Adoption of Green Finance and it was found that government subsidies alone does not significantly influences the adoption behaviour directly, however, their effectiveness increased when complemented by higher levels of financial literacy and policy awareness. The perceived financial benefits derived from financial literacy and awareness significantly influences consumer adoption of green finance products. Thus, these findings suggest that financial awareness programs and policies can increase the

effectiveness of government incentives and promote green finance adoption. It recommends the policymakers for the integration of financial education initiatives with targeted subsidies, and proper communication to promote sustainable financial behaviours and environmental awareness among individuals. (Chauhan et al. ,2025)

However solely awareness and financial literacy program doesn't promote sustainable investing, trust and credibility also plays and important role while investing in sustainable projects. (Dr. Laura M. Nieminen, 2020)

A study was conducted in Nepal about "Financial Literacy and Green Finance Adoption among Working Professionals" which concluded that financial awareness, environment understanding and products knowledge have an influence on green energy projects however financial literacy has strong relation with green finance adoption. People with advance level financial knowledge about investments generally make those choices that support environmental and contribute to environmental protection. Thus, the findings suggest that appropriate govt incentives along with financial education may encourage individuals to invest according to the budget and values therefore financial education can help in contributing long term environment sustainability and promoting green investment decision making. (Kandel, Bhattrai, Shakya,2025)

Financial literacy is not the only factor responsible for green investments sustainable finance attitude is also the parameter that predicts investment decisions in sustainable projects ($\beta = 0.5583$, $p = 0.0092$). Secondly, technology awareness also has positive relationship with sustainable finance. ($\beta = 0.2058$, $p = 0.097$), Thus knowledge is not the only criteria promoting sustainable investments. (Ahmed, Vijesh 2026)

A study was conducted on Gen Z investment pattern which has positive effect on sustainable options; however, their willingness and actual investment doesn't match each other. Thus, effective financial literacy programs must be implemented which align with sustainable investments. (N. Devaram, 2026)

A study was conducted on adults' knowledge and the attitude towards socially responsible investing (SRI) and it was found that respondents were relatively less interested in prioritising SRI in their investment decisions which suggests the need of promoting climate education through formal mode of education to enhance greater awareness and environmental concerns in that particular demographic. (Kurowski et al.,2026)) Fintech adoption thus enables financial inclusion (Ediagbonya & Tioluwani, 2023)

- **Financial Literacy and Fintech Adoption**

Higher financial awareness has significant impact on fintech adoption and consumption pattern among individuals although its usage may differ from people to people depending upon their behavioural traits but at the same time financial literacy can reduce the impact of cognitive factors such an overconfidence, anchoring, risk aversion, disposition and have a negative impact on fintech adoption. Financial literacy acts a moderator, it doesn't fully influence the fintech adoption but may reduce the effect of behavioural bias in the outcome and help in making an informed decision (Yoshino et al., 2020)

A study was conducted on digital financial literacy and saving behaviour which suggests that savings habits among individuals gets enhanced when fintech is combined with financial literacy and its effectiveness relies on their confidence level while using these tools and it relies on the user's knowledge with financial concepts, technological infrastructure and the policies which enable them to opt active fintech adoption (Basar, et al., 2025)

- **Sustainable Financial Literacy and General Financial Literacy**

A study indicates people with higher sustainable financial literacy make better decision making when it comes to sustainable and non-sustainable investment decisions and they are able to distinguish between the genuinely sustainable investment options and those that merely claim to have positive environment investment options .It was also suggested the ones with sustainable financial literacy have more influence on investment behaviour unlike with the ones who are having general financial literacy which suggests that knowledge related specifically to sustainable financial literacy can make a difference in people's behaviour and attitude towards environmental decision making in terms of investment.(Seifert et.al, 2025)

Methodology

- **Research Design**

This study has adopted systematic literature review approach to determine the relationship between financial literacy and green finance. The purpose of this study to know about how financial knowledge and financial literacy influences green investment decision making among individuals. In systematic literature review existing studies related to green finance, sustainable products, sustainable investment, sustainable investment decision, financial literacy, financial knowledge, financial education has been synthesised and conclusion is drawn based on existing studies.

- **Literature Search Strategy**

The existing literature has been identified using relevant keywords and Boolean operators on Google Scholar. The keywords searched are as follows:

  - Financial literacy and green investment decision making
  - Green finance and financial awareness
  - Financial literacy and green finance
  - Financial literacy and investment
  - Green finance
  - Financial literacy
  - Green finance and sustainable products/sustainable investments
  - Green finance and investor behaviour

- **Selection Criteria**

Existing studies were selected based on the relevance of study; the criteria are as follows: -

Inclusion Criteria

  - Studies involving financial knowledge and financial education
  - Studies that are based on financial literacy and green finance
  - Studies related to sustainable investment and sustainable products
  - Studies related to green investment and digital financial literacy
  - Studies related to investment behaviour based on financial education

Exclusion criteria

  - Studies which do not talk about financial literacy and sustainable investment
  - Studies which are irrelevant from financial literacy perspective
  - Research which lacks sufficient evidence of their discussions
  - studies which do not focus on the financial behaviour of individuals

- **Literature Analysis**

This research is based on the thematic narrative literature review. The themes identified are as follows: -

  - The relationship between financial literacy and green finance
  - Digital financial literacy fintech adoption and sustainable financial decision
  - Financial Education, Policy Awareness and Government initiative
  - Sustainable financial literacy and general financial literacy
  - Green finance and barriers to green investments

The themes were organised, based on the existing research studies, to facilitate effective narrative analysis of existing studies.

- **Synthesis of Findings**

The study was based on determining the effectiveness of financial comprehension on green proposal decision making among individuals. The synthesis of the study is on the basis of objectives, methodology, research questions, findings and conclusion of the existing research. It has also examined

the role of other factors like environment awareness, government incentives, policy awareness, digital financial literacy, general financial literacy determining the influence on sustainable investment decision making. Thus suggests the future direction of research in green finance and financial literacy

Table 1: Overview of Selected Studies (2010- 2026)

S. No.	Year	Author	Conclusion
1	2010	Joyce K.H. Nga	Financial education influences financial product awareness among youth
2	2015	Lusardi and Tufano	Financial ignorance avoids profitable investment projects thus need of financial literacy arises.
3	2016	Logasvathi Murugiah	People may consider that they have good financial knowledge but found to be weak thus need for financial awareness among individuals
4	2018	Beby Kendida Hasibuan	Financial literacy and attitude affect financial satisfaction which in turn helps in taking good financial decision
5	2019	Jeffrey D. Sachs et al.	Sustainable development goals can be achieved only by introducing new green policies with new financial instruments and thus increasing green finance in the economy.
6	2020	Dr. Laura M. Nieminen	Financial literacy and trust play an important role in determining sustainable investment decision making
7	2020	Morgan, Peter J. Long Quang Trinh	Higher level of financial literacy has direct relation with financial awareness and use of fintech products
8	2020	Yoshino, Naoyuki Morgan, Peter J. Trinh Quang Long	Greater financial literacy has direct relation with fintech adoption however behavioural traits may affect its usage.
9	2020	Dewi, et al.	Financial literacy is also supported by other factors like financial awareness, financial behaviour, skills, experience, knowledge thus creating demand for green products
10	2021	Varmaz, Armin, et al.	Young adults face a trade-off between sustainable investment risks and the return associated with it. financial literacy, risk aversion and many more factors affect decision making for sustainable investments.
11	2022	Shanmugam et al.	Risk perception of individuals mediates the relationship between financial literacy and sustainable investments
12	2022	András Bethlendi et al.	Green attitude and financial literacy have positive relationship with green finance however government initiatives and financial literacy programs can strengthen demand for green products
13	2022	Peterson K. Ozili	Green finance has favourable impact on environment. However, factors such as lack of awareness, lack of profitability for investors, inconsistent policies are the reasons for not adopting green investing decision making
14	2022	Isaac Akomea-Frimpong, et al.	Effective green finance policies may help in promotion of green finance in banks
15	2022	Reza Ronaldo, Tulus Suryanto	SDG goals can be achieved and green innovation technology and green enterprises can be established
16	2023	Andrea Sticha, Shizuka Sekita	Financial literacy has positive correlation with sustainable investment decision making
17	2023	Ediagbonya & Tioluwani, 2023	Fintech adoption thus enables financial inclusion
18	2024	Kar, D., & Patro, B	Financial literacy has positive impact on sustainable responsible investing however subjective norms also influences sustainable investment project decision making

19	2024	Fayola Issalillah	Higher level of financial literacy helps in evaluating the projects effectively and efficiently as compare to the one with low financial knowledge thus there is a need to strengthen financial education.
20	2024	Ram Singh; Smriti Srivastava	Financial literacy is the mediator between perceived usefulness and fintech adoption thus suggesting policymakers for effective policies for fintech adoption.
21	2024	Ning Tang	Higher level of financial awareness predicts more savings and less credit card defaults. Public education is the method of boosting financial awareness among individuals.
22	2024	Christoper and Nithya	A direct correlation exists between financial literacy and sustainable products
23	2024	Greta Benedetta Ferilli Et al	Fintech development enables adoption of e banking services in Europe. Financial literacy programs should be implemented to make banks more customer inclusive and financially inclusive.
24	2025	Dr. Pooja Parsai, Ms. Arpita Kelkar Chandok	Financially literate individuals are able to make effective investment decisions
25	2025	Edoardo Lanciano, et al.	Financial literacy has positive relation with sustainability however it doesn't have direct effect on sustainable investment decision making
26	2025	Mohapatra et al.	Financial awareness, financial behaviour, attitude and perception, training has significant effect on fintech adoption among MSME's thus ensuring sustainable practices.
27	2025	Chauhan et al.	Government subsidies alone don't affect fintech adoption. Financial literacy programs and increased policy awareness may foster green finance adoption
28	2025	Maheshwari, et. al	Financial literacy alone doesn't affect decision making in sustainable investor. However, confidence and attitude along with financial literacy can promote sustainable investment decision making
29	2025	Pratishtha Upadhyaya, Dheeraj Zope	Confidence in financial literacy can influence sustainable investment decision making
30	2025	Camilla Mazzoli and Sofia Baiocco	Digital financial literacy has positive relation with sustainable investment decision but behaviour and attitude play an important role in influencing the demand for sustainable projects
31	2026	Kandel, Bhattrai, Shakya	Financial literacy has positive impact on green fintech adoption.
32	2026	Seifert et.al,	Sustainable financial literacy can make a difference in people's behaviour and attitude towards environmental decision making in terms of investment
33	2026	Ahmed Sait S Vijesh P.V	Financial literacy is not the only indicator that determines sustainable investment decision making among Genz
34	2026	Lukasz Kurowski, et al.	Climate education influences sustainable responsible investing more significantly as compare to financial literacy
35	2026	Dr. Abhijit Sharad Kelkar	Green financial literacy has positive impact on green projects but perceived risk associated with this proposal may have indirect relation. Investor trust is one of the reasons for influencing Sustainable investment decisions
36	2026	Reshma B Dr. Umakanth S.	Millennials and Gen Z are more responsive towards green investment decision making. However, actual adoption stills depend upon financial literacy

37	2026	Gupta, H., & Yadav, M.	SFD is more prevalent in young and urban communities, thus there is demographic inequalities and need for financial inclusion and financial awareness among rural and financially underserved populations
38	2026	Prasad and Reddy	Financial literacy plays an important role between fintech adoption and sustainable consumer behaviour. Therefore, initiatives should be taken by policymakers for promoting financial education, therefore supports sustainability goals
39	2026	Jamal Hanaffy	Financial awareness solely doesn't make investment decision it requires trust and credibility among individuals for sustainable investments
40	2026	Abigail Padi, et al. Ghana	Financial literacy alone doesn't stand responsible for green investment decision making but investment readiness may affect adoption of green finance
41	2026	N. Devaram	Financial literacy measures should be taken to promote sustainable finance among Gen Z

Findings

- **Types of Research Papers**

Table 2 and Fig. 1 represents the type of research paper taken in the study. Out of 41 studies, 33 studies were empirical, 6 studies were review papers and 2 were descriptive studies. Therefore, 72% of data collected is from empirical studies,20% is from review paper and 8% is from descriptive studies

Table 2: Types of Research Papers

S. No.	Research Type	No. of Studies
1	Descriptive	2
2	Empirical	33
3	Review paper/ Article	6
Total		41

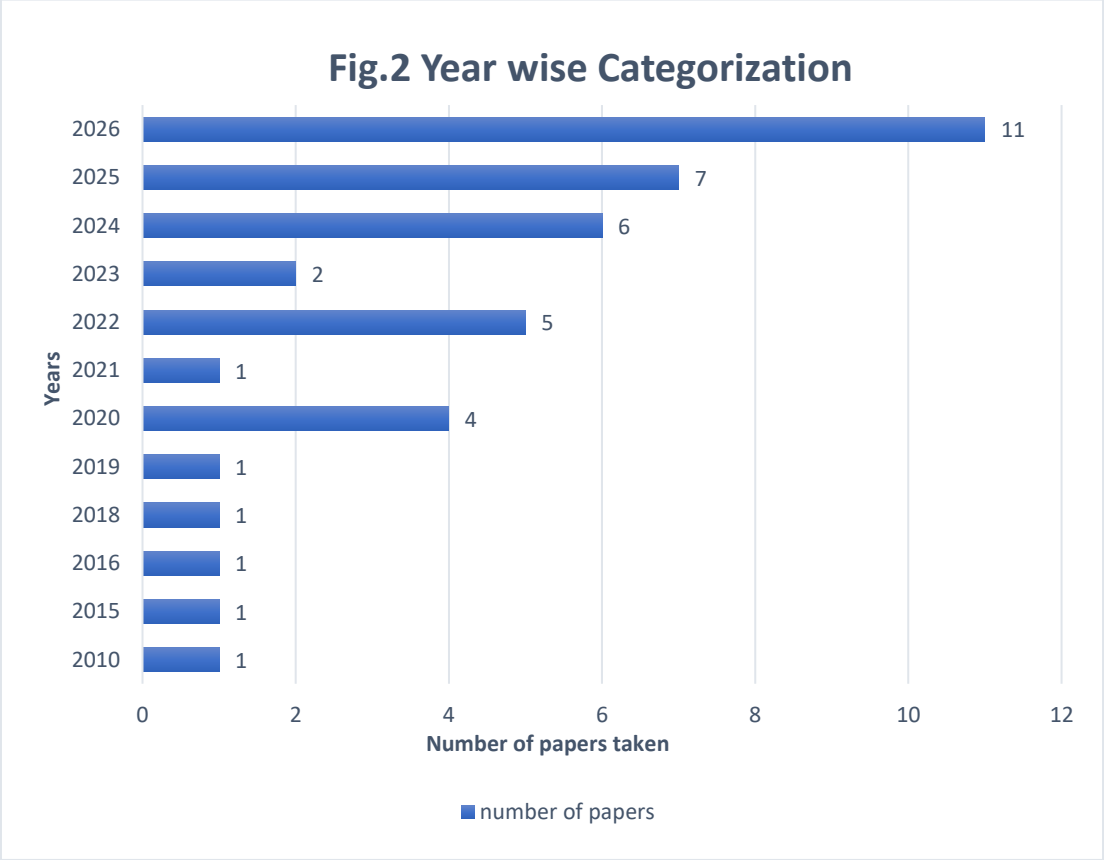
- **Year Wise Categorization of Studies**

Table 3 and fig.2 represents year wise allocation of research papers in the study. Maximum papers have been studied from 2026 as studies related to financial literacy with green finance have been seen recently whereas earlier green finance term exists, but its relationship with financial literacy was not well established.



Table 3: Year Wise Categorization

S. No.	Years	No. of Papers
1	2010	1
2	2015	1
3	2016	1
4	2018	1
5	2019	1
6	2020	4
7	2021	1
8	2022	5
9	2023	2
10	2024	6
11	2025	7
12	2026	11
Total		41



- **Country Wise Distribution**

Table 4 and Fig. 3 represents the country wise distribution of collected data. Out of 41 research papers, 14 studies have been studied from India which represents 34 % of overall collected data in the study. 5 studies have been studies from Indonesia, 3 have been from US,2 from Malaysia, Nigeria and Italy. Other papers have been collected from different countries, one each.

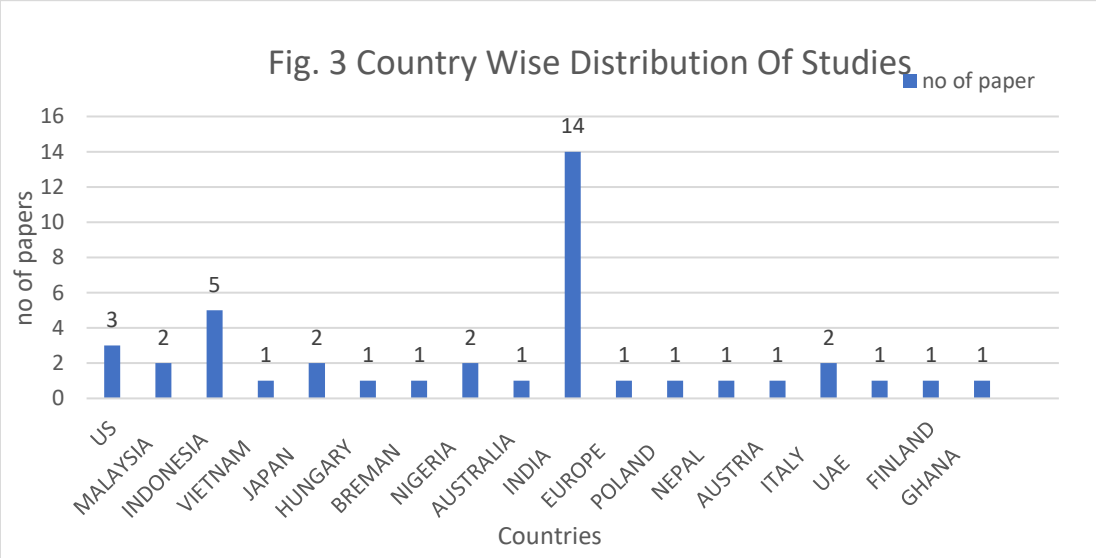


Table 4: Country Wise Distribution

S. No.	Name of the Country	No. of Paper
1	US	3
2	MALAYSIA	2
3	INDONESIA	5
4	VIETNAM	1
5	JAPAN	2
6	HUNGARY	1
7	BREMAN	1
8	NIGERIA	2
9	AUSTRALIA	1
10	INDIA	14
11	EUROPE	1
12	POLAND	1
13	NEPAL	1
14	AUSTRIA	1
15	ITALY	2
16	UAE	1
17	FINLAND	1
18	GHANA	1
Total		41

Discussion

The reviewed literature suggests that financial knowledge and green finance have strong relationship between them (Christopher and Nithya (2024). Financial literacy involves greater awareness and understanding of various investment opportunities. Its relationship with green finance also depends upon various factors such as digital financial literacy, government incentives, policy awareness, subsidy, environment awareness and many more.

However, Financial literacy alone may not influence green investment decision making. Therefore, there exists a potential knowledge–attitude–behaviour gap among individuals, Thus, financial literacy and favourable perceptions of green investments may not be sufficient to motivate individuals to make actual green investment decisions (Bethlendi, A., Nagy, L., & Póra, A. (2022)). Other factors that may influence their relationship are policy awareness, financial education, fintech adoption, government incentives and many more

A study found that Digital financial literacy (DFL) significantly affects sustainable financial decisions (SFD) ($\beta = 0.518$, $p < 0.001$) and environmental concern partially mediates relationship between DFL and SFD ($\beta = 0.345$, $p<0.001$)

Similarly, demographic characteristics such as age and income influences SFD. SFD is more prevalent in young and urban communities as compare to rural and financially underserved populations thus need of sustainable financial awareness, financial knowledge and financial inclusion among them, to promote more inclusive participation in sustainable finance. (Gupta, H., & Yadav, M. (2026))

Various studies have researched about the interrelationship between financial literacy and green investments and reveal that financial recognition plays an important role in influencing green investment decision among individuals. It may involve awareness of different policies, government incentives for promoting green finance, subsidy, digital financial literacy, fintech adoption among individuals, financial education, environment awareness, sustainable financial literacy, demographic factors (such as age, income), financial inclusion, productivity, general financial literacy and many more.

Financial literacy mediates between digital financial literacy and green financial awareness and transforms it into sustainability oriented behavioural outcome. It also exhibits a relationship between digital finance adoption and sustainable consumer behaviour. The model explains that 69.2% of the variance is explained by financial literacy in sustainable consumer behaviour. Thus, it provides us an understanding that it plays an important role in promoting green projects (prasad and reddy,2026)

Financial awareness, environmental understanding, government incentives, and product access have a strong impact on green investments adoption. People with higher financial literacy and financial knowledge chooses those options which contribute more towards environmental protection (Kandel, Bhattrai, Shakya,2025). However, (Chauhan et al. ,2025) suggests that financial knowledge programs and policies awareness play an important role in influencing the effectiveness of government incentives towards green investment opportunities. Thus, government subsidies alone not influence green investment decision making and green investment behaviour among individuals.

A study (Kurowski, et.al (2026)) suggested that adults does not actively prioritize sustainable investment decision making thus need for more of climate education through formal mode and create financial awareness as well as promote sustainable financial literacy and financial education among adults. However, (Hernandez,2026) conducted research between institutional and individual investor knowledge about investment decision making and it suggests that 78% (approx.) of respondents have knowledge about green energy sources but only 32%(approx.) of them have adequate knowledge about green investments, tax advantages, subsidies availability schemes and evaluation of cost and benefits associated with it. Thus, these findings suggest that general awareness of environmental benefits does not necessarily translate into sufficient financial knowledge to facilitate informed participation in green investments.

A study was conducted to know about the impact of sustainable financial capability and general financial literacy on investment decision making ability of individuals and it highlighted that people with sustainable financial literacy have more influence on sustainable investment behaviour which suggests that knowledge related specifically to sustainable financial literacy can make a difference in people's behaviour and attitude towards environmental decision making in terms of investment.(Seifert et.al, 2025)

A study also concluded that financial institution should introduce features that enable ESG complaints about products. Secondly, financial literacy is a practical subject, its execution may enable more investing towards sustainable projects therefore simulation-based applications must be used with theoretical explanation. The regulators of green products should take steps to improve trust, authenticity and credibility about sustainable products. (Ahmed Sait S Vijesh P.V 2026)

Conclusion

Green finance and financial literacy share a strong relationship between them. Financial literacy involves awareness about financial education and financial concepts and green finance involves investment in green projects or green investment opportunities. When financial literacy combines with green financial knowledge it boosts sustainable investment decisions among individuals and institutions

On the basis of existing literature, we can conclude that financial literacy influences decision making in green projects. However financial literacy alone may not influence green investment decision making. Other factors like government incentives, policy awareness, attitude and perception, Sustainable financial literacy, fintech adoption may affect decision making in green projects.

This study suggests that there is lack of awareness among individuals in terms of financial literacy and sustainable financial literacy. There is a need to boost programmes that are not just meant for creating financial education and awareness, but also to make them understand why green investment decision making is important for the environment and what change it can bring in the environment.

Secondly, there is lack of effective existing policies. Policies should be made in such a way the term structure of financing must get aligned with the timelines of the project, thereby establishing the suitability between investment and financing. Asset securitization can be linked in place of cash flow from the project. It will enable the investor to take exist rather than locking up funds for the entire duration. Thus, policymakers should take initiatives to make policies more effective and relevant that boosts green investment decision making among individuals and institutions. Also, they should make them aware about its effectiveness and the benefits associated with it.

Thirdly, specialised market should be developed for those financial products that facilitate trading only in ecological financial products which will make investing easy for the investors thus improving the liquidity and attractiveness of green investments.

There is a need of introducing financial literacy and green financial awareness as a subject for the children as well as the adults which in early adulthood may boost sustainable responsible investing and it may change the perception and attitude of individuals towards green projects investment decision making as initial years of learning, through formal mode ,one can actually learn about sustainable investing and how it makes a change for the environment and its people and how it actually benefits them.

Limitations and Future Trends

This study has certain limitations. This study is based on systematic literature review and no primary data is being collected. It is based on existing literature data availability (secondary source) particularly google scholars. No data is collected through interview, survey which may create biasness in the outcome.

Secondly, most of research has been conducted in specific country and specific demographic constraints involving age, income, gender, area has been taken into consideration while analysing research outcome, since it is based on specific groups, its findings may not fully generalise the outcomes of the research. Existing studies have also adopted different research methods which make it difficult for systematic comparison among existing studies and thus creates differences in the findings of the studies. Thus, methodological and contextual differences should be interpreted carefully before making any conclusion of a specific study. Thus, differences in factors, research methodology, data collection and type of research are the major limitation of the study. Thus, methodological and contextual differences should be interpreted carefully before making any conclusion of a specific study.

Future research trends can focus on collecting data through primary mode. Secondly, it may focus on gathering data globally which may generalise the research outcomes and also may talk about global factors that may affect the relationship between financial literacy and green finance. Thirdly, data must be collected from different scholarly literature sources so that large amount of data will be available for research analyses and better research outcomes may be produced and better results can be concluded with more generalised outcome.

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