

**ADVANCING SUSTAINABLE FINANCIAL BEHAVIOR THROUGH
FINANCIAL LITERACY AND SELF EFFICACY****Sreejaa G. Nair*¹, Bibin Thomas M.², Soniya Syriac³, Dr. Jegadeeswari S.⁴**¹*Department of Management, Chinmaya College of Arts, Commerce & Science, Kochi, India.*²*Department of Management, Sir Syed Institute for Technical Studies, Kannur, India.*³*Department of Commerce, BLM College of Applied Sciences, Kannur, India.*⁴*Department of Commerce, Karpagam Academy of Higher Education, Coimbatore, India.*

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DOI: <https://doi-doi.org/101555/ijarp.7947>**ABSTRACT**

This paper examines how sustainable finance education and financial literacy can affect the adoption of environmentally friendly financial behavior by people. It dwells on the role of educational interventions, access to financial information, and financial self-efficacy in enabling informed decision making as regards to green investments and sustainable financial practices. The main data was gathered with the help of a structured questionnaire given to 272 participants with diverse educational, professional and income levels.

The results suggest that financial education is critical to the increasing awareness of sustainable financial products and increasing the capacity of individuals to estimate the environmentally friendly investment opportunities. Credible sources of information especially online platforms and consultancy support reinforce financial literacy and promote accountable financial decision-making. Financial self-efficacy is a central factor that connects knowledge and behavior and allows people to effectively implement financial knowledge in sustainable practices. Education and profession are also demographic factors that affect the interest in sustainable finance.

The paper provides the significance of merging ideas of sustainability into financial literacy programs to enable responsible economic conduct and environmental and financial health in the long term.

KEYWORDS: *Sustainable Finance, Financial Literacy, Green Investments, Educational Interventions, Financial Self Efficacy*

1. INTRODUCTION

Sustainable finance has moved rapidly from a peripheral concern to a central component of contemporary financial systems, as climate change, environmental risk, and social accountability increasingly shape investment decisions. Retail investors are now exposed to green bonds, ESG funds, and sustainability linked financial products, yet participation in such instruments varies considerably. Recent evidence indicates that sustainable finance literacy, which combines knowledge of financial concepts with understanding of sustainability principles, is strongly associated with awareness and ownership of sustainable financial products (Filippini et al., 2024). This suggests that the diffusion of environmentally friendly financial behavior depends not only on product availability but also on individuals' capability to comprehend and evaluate sustainable investment options.

Financial literacy plays a foundational role in shaping investment decisions, particularly in contexts involving uncertainty and long term consequences. Empirical findings from household finance research show that individuals with higher levels of financial literacy are more likely to acquire knowledge about sustainable finance topics and to translate that knowledge into sustainable investment actions (Lanciano et al., 2024). However, traditional financial education programs often focus on savings, credit management, and portfolio diversification without integrating sustainability dimensions. As financial markets incorporate ESG disclosure frameworks and climate related risk assessments, embedding sustainability concepts into financial literacy initiatives becomes increasingly important.

Educational interventions can strengthen individuals' understanding of sustainable products and improve their ability to distinguish credible opportunities from superficial claims. Research on socially responsible investing among retail investors demonstrates that awareness, attitudes, and perceived information quality significantly influence sustainable investment intentions (Garg et al., 2022; Jonwall et al., 2023). In this context, access to reliable information through digital platforms, advisory services, and financial institutions enhances individuals' capacity to make informed and responsible decisions. Digital financial literacy, including advanced digital skills for engaging with online financial tools, has been shown to increase the likelihood of holding sustainable assets, highlighting the importance of technological competence in sustainable finance adoption (Mazzoli & Baiocco, 2025).

Beyond knowledge and access to information, psychological factors influence whether individuals apply financial learning in practice. Financial self efficacy, defined as confidence in managing financial tasks and decisions, has been identified as a key determinant of financial behavior across contexts. Recent synthesis research emphasizes that self efficacy

facilitates the translation of financial knowledge into action, particularly in complex and evolving financial environments (Gulati & Singh, 2024). In sustainable finance settings, self efficacy may enable individuals to act on their understanding of environmental considerations when selecting investment products.

The interaction between financial literacy and climate awareness further shapes sustainable investment preferences. Evidence indicates that financial literacy and climate literacy jointly influence environmentally and socially responsible investing, suggesting that sustainable financial behavior emerges from the integration of economic competence and environmental understanding (Kurowski et al., 2025). Demographic factors such as education and professional background may also moderate this relationship by affecting exposure to sustainability concepts and financial decision making contexts.

Against this background, the present study investigates how sustainable finance education, financial literacy, information access, and financial self efficacy influence environmentally friendly financial behavior. By analyzing primary data from 272 participants with diverse socio economic profiles, the study contributes recent empirical insight into how educational and behavioral mechanisms support responsible financial conduct and long term environmental and financial well being.

2. Literature Review

Conceptual Foundations of Sustainable Finance

Sustainable finance integrates environmental and social considerations into financial decision making, aiming to align capital allocation with long term ecological resilience and inclusive growth. Recent scholarship highlights that retail participation in sustainable financial markets depends not only on product supply but also on individuals' ability to understand sustainability related financial risks and opportunities (Dorfleitner & Nguyen, 2023). As climate related financial disclosures become embedded in regulatory frameworks, households increasingly face decisions that require evaluating environmental risk exposure alongside financial returns. This evolving landscape underscores the importance of individual capability in interpreting sustainability oriented financial information.

Research further indicates that the growth of ESG products has created informational complexity, which may discourage participation among less informed investors (Riedl & Smeets, 2023). Investors often struggle to interpret sustainability scores and differentiate between authentic environmental impact and symbolic green positioning. Consequently,

sustainable finance adoption at the household level is shaped by cognitive resources and interpretive skills.

Financial Literacy as a Driver of Sustainable Financial Behavior

Financial literacy enhances individuals' capacity to process financial information, evaluate risks, and make forward looking decisions. Recent evidence suggests that financially literate individuals are more capable of assessing climate related financial risks and integrating ESG information into investment decisions (Bianchi & Briere, 2022). Such competence supports long term orientation and improves the ability to align financial goals with sustainability objectives.

Studies also show that sustainable finance participation is positively associated with investors' understanding of financial products and risk diversification strategies (Darriet et al., 2023). Investors with higher literacy are better positioned to compare green bonds, sustainable mutual funds, and ESG screened portfolios. This competence reduces uncertainty and strengthens engagement with environmentally aligned financial instruments.

Importantly, literacy related advantages extend beyond technical knowledge. Research in behavioral finance demonstrates that financially informed individuals exhibit greater resilience to misleading marketing claims and are less likely to rely on heuristics when evaluating sustainable products (Zhang et al., 2024). These findings highlight literacy as both an analytical and protective mechanism in sustainable finance contexts.

Information Transparency and Digital Ecosystems

The expansion of digital financial services has transformed how individuals access and interpret financial information. Transparent sustainability disclosures and accessible digital interfaces facilitate informed engagement with ESG products. A recent study finds that enhanced sustainability reporting improves investor confidence and increases demand for green financial instruments (Huang & Kung, 2022). Transparency reduces ambiguity regarding environmental performance and fosters trust in sustainable investment vehicles.

Digital engagement also influences sustainable investment behavior. Research shows that online financial platforms providing interactive ESG data and impact metrics increase retail participation in sustainable assets (Cui et al., 2023). Digital literacy therefore functions as an enabling factor by reducing search costs and enhancing comparability of sustainability attributes across products.

However, disparities in digital access and information quality can limit inclusive participation. Households with limited exposure to digital tools may face barriers in identifying credible sustainability information, highlighting the need for comprehensive education that integrates financial and technological competence.

Financial Self Efficacy and Behavioral Translation

Financial self efficacy reflects an individual's confidence in managing financial tasks and making investment decisions. Recent empirical research demonstrates that self efficacy significantly predicts proactive financial behaviors, including investment diversification and long term planning (Ameer & Khan, 2023). In sustainable finance contexts, confidence may determine whether individuals act upon their environmental values when making financial choices.

Self efficacy has also been linked to improved information processing and reduced decision avoidance in complex financial environments (Nadeem et al., 2022). Given that sustainable finance products often involve multidimensional evaluation of financial and environmental outcomes, individuals with higher self efficacy are more likely to navigate complexity and commit to sustainable investments.

Theoretical perspectives grounded in social cognitive theory suggest that education enhances self efficacy by strengthening perceived competence. Consequently, sustainable finance education may indirectly influence behavior by increasing individuals' confidence in applying knowledge to environmentally responsible financial practices.

Climate Awareness and Integrated Capability

Sustainable financial behavior emerges from the intersection of financial knowledge and environmental awareness. Recent research indicates that climate risk perception significantly predicts sustainable investment intention, particularly when combined with financial capability (Mehnaz et al., 2024). Individuals who recognize the financial implications of environmental change are more likely to allocate resources toward green assets.

Empirical findings also suggest that environmental attitudes alone are insufficient without financial understanding (Cai & He, 2023). Investors may express support for sustainability yet hesitate to invest due to uncertainty about returns or product credibility. This underscores the importance of integrated educational models that combine climate literacy with financial competence.

3. Research Gap

Recent literature emphasizes the importance of financial literacy, digital access, transparency, climate awareness, and self efficacy in shaping sustainable financial behavior. However, many studies examine these determinants in isolation. There remains limited empirical research integrating educational interventions, information access, and psychological capability within a unified analytical framework using primary data.

The present study addresses this gap by examining how sustainable finance education, financial literacy, access to credible information, and financial self efficacy collectively influence environmentally friendly financial behavior. By integrating cognitive, informational, and behavioral perspectives, this research contributes to a more comprehensive understanding of the mechanisms that translate knowledge into sustainable financial action.

4. Objectives

- To examine the impact of sustainable finance education and financial literacy on environmentally friendly financial behavior among individuals.
- To analyze the mediating role of financial self efficacy in the relationship between financial literacy and sustainable financial practices.
- To evaluate the influence of access to credible financial information and demographic factors on the adoption of sustainable investment decisions.

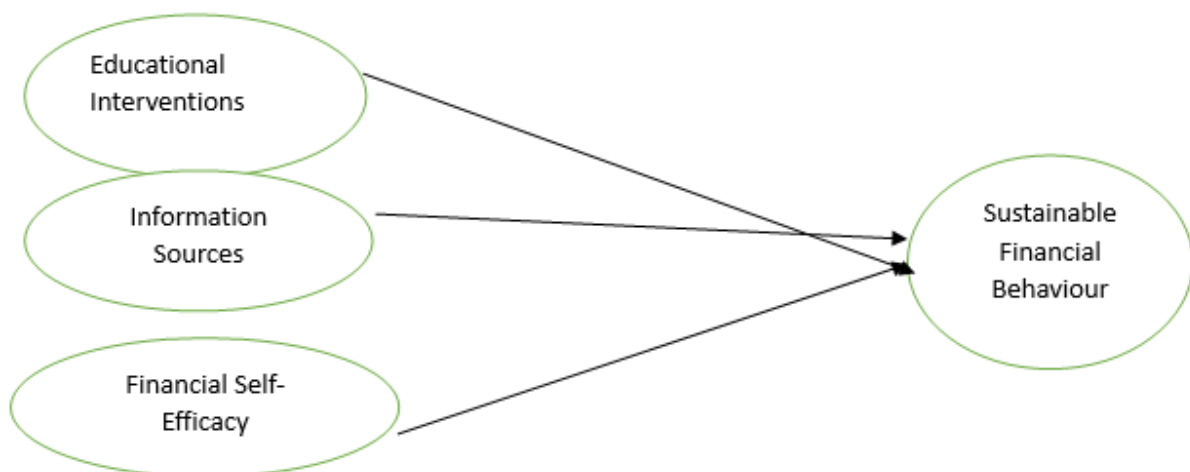


Figure 1: Conceptual Model.

5. METHODOLOGY

This study employed a quantitative research design using primary data collected through a structured questionnaire administered to individual investors who actively traded stocks and demonstrated interest in financial decision making. The questionnaire consisted of closed

ended items designed to measure sustainable finance education, financial literacy, information seeking behavior, financial self efficacy, and sustainable financial behavior. Responses were recorded using a five point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). To ensure representation across diverse socio economic backgrounds, stratified random sampling was adopted, with strata formed based on educational level, professional sector, and income category. A total of 272 valid responses were obtained to ensure adequate statistical reliability. Data analysis was conducted using SPSS 26.0. Descriptive statistics, including frequency distribution, percentages, and mean scores, were used to summarize respondent demographics and key variables. One Way ANOVA was applied to examine differences in sustainable financial behavior across demographic groups. Correlation analysis was used to assess the strength and direction of relationships among Educational Interventions, Information Sources, Financial Self Efficacy, and Sustainable Financial Behavior. Multiple regression analysis was performed to determine the combined and individual influence of Educational Interventions, Information Sources, and Financial Self Efficacy on Sustainable Financial Behavior.

Reliability and Validity

To ensure the reliability of the questionnaire, Cronbach's Alpha test was conducted, with a threshold of ≥ 0.70 indicating internal consistency. The Cronbach's Alpha value is 0.929.

6. Data Analysis and Results

Demographic Characteristics of the Respondents

According to the research data, women, of lesser stock market activity than the men, were found out (Table 1). Investors are said to be the most common in 19 – 36 years age bracket and amount to a total of 82.4% of stockholders in the market. The investors have a higher educational level, as 79.4% have bachelor degrees and 14.7% and 5.9% finished Master and PhD programs respectively. Second and third positions are occupied by private employees and businessmen maintaining 11.8% and 8.8% respectively (73.5%, 11.8% and 8.8%). As students have the knowledge about finance and easy access to market information, they may wish to participate in stock market investments. The online resources and other information combined sources, for the 52.2% of information sources represent sources which a large number of investors use in obtaining the financial information. 17.4% of investors are empowered by financial advisors that also served as family members and friends and 13.0% are assisted by financial advisors. Awareness of sustainable finance is quite widespread

among investors, and the attitude is mostly neutral or slightly aware to very aware (93.1%). According to the results of research, young people with a high level of education make a main group of stock market investors; they rely on digital and social platforms almost entirely to receive the information about finance. Investors with higher education levels are known to be more rational compared to others and join stock markets and make logical financial decisions, according to past studies. Educational attainment is crucial for shaping people's attitude towards the management of their finances so as to find out whether they are comfortable with potential risk in investments and the resultant outcomes.

Table 1: One-Way Anova.

Variables	Statistics	EI	IS	FSE	SFB
Education	F-statistics	42.152	44.866	66.042	29.341
	Sig.	0	0	0	0
Age	F-statistics	6.01	2.699	1.138	2.243
	Sig.	0.001	0.046	0.334	0.084
Gender	F-statistics	1.226	6.863	3.729	2.202
	Sig.	0.269	0.009	0.055	0.139
Profession	F-statistics	13.87	29.993	20.298	11.832
	Sig.	0	0	0	0
Monthly Income	F-statistics	6.01	2.699	1.138	2.243
	Sig.	0.001	0.046	0.334	0.084

The results of the One-Way ANOVA analysis show that the factors affecting EI, IS, FSE, and SFB are Education, Age, Gender, Profession and Monthly Income. The findings further show that Education and Profession play the greatest predictive role regarding all financial behavior ($p < 0.001$), indicating that persons with higher education and particular occupations are more involved in searching for financial information as well as making sustainable financial decisions (Lusardi & Mitchell, 2019). Moreover, Age and Monthly Income significantly influence EI and IS ($p < 0.05$); that is, younger individuals and higher-income earners actively look for financial education and information, but not the self-efficacy and sustainable financial behavior (Xiao & Porto, 2020). Only differences in IS between men and women ($p = 0.009$) were significant; thus, men and women differ in accessing financial information but not in financial education and sustainable financial behaviors (Bucher-Koenen et al., 2021). In Profession, occupational differences significantly shaped all the financial behaviors ($p < 0.001$), thereby substantiating earlier research that professional type affects the financial literacy and decision making (Clark, Lusardi, & Mitchell, 2020). The findings suggested that to reach people with copayments relatively far from the urban areas, there is a need for increased financial literacy tailored toward demographic disparities in financial

engagement; equal focus on financial literacy and sustainable financial decision making (Farrell, Fry, & Risse, 2020).

Correlation Analysis

Table 2: Correlations Analysis.

Variables	Educational Interventions	Information Sources	Financial Self-Efficacy	Sustainable Financial Behavior
Educational Interventions	1	0.725	0.717	0.707
Information Sources	0.725	1	0.877	0.809
Financial Self-Efficacy	0.717	0.877	1	0.777
Sustainable Financial Behavior	0.707	0.809	0.777	1

Analysis of correlation among Educational Interventions, Information Sources, Financial Self-Efficacy and Sustainable Financial Behavior show their important relation. Results from Analysis Eight show a positive correlation between Educational Interventions and Information Sources ($r = 0.725, p < 0.01$), indicating that while individuals whose life experiences include a heavy focus on education tend to have higher access to multiple financial information sources, the strength of that positive correlation suggests that individuals who are better educated use information sources all the more heavily, affirming that more education is instrumental in allowing a broader acquisition and processing of financial data. Financial education motivates people to develop their financial self-efficacy because the data shows Educational Interventions and Financial Self Efficacy moving together ($R=0.717, p<0.01$). The financial literacy programs create positive impacts on responsible financial behaviors such as budget planning and long term investment planning because of Educational Interventions and Sustainable Financial Behavior association ($r = 0.707, p < 0.01$). Information Sources emerges as the greatest correlation indicator ($r = 0.877, p < 0.01$) between variables and Financial Self Efficacy (i.e. the extent to which financial information is important to the people sense of confidence in handling their finances). The r value for Information Sources measuring 0.809 stands significant at $p < 0.01$ thereby indicating those who search for financial information remain accountable with sustainable financial activities. This last line confirms Financial Self Efficacy creates a positive significant link with Sustainable Financial Behavior ($r = 0.777, p < 0.01$) which proves directly that confident financial management leads people to practice proper financial habits.

The amount of financial literacy allows individuals to gain better access to quality financial information while self-efficacy improves when both factors increase.

Regression Analysis

Table 3: Regression Analysis.

Model	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.	Model Summary		ANOVA	
	B	Std. Error				R ²	Adjusted R ²	F-value	Sig.
(Constant)	1.95	0.32		6.091	0				
EI	0.19	0.044	0.217	4.293	0	0.695	0.692	203.941	0
IS	0.413	0.065	0.465	6.337	0				
FSE	0.203	0.069	0.213	2.945	0.004				

The results from multiple regression analysis were outstanding when analyzing Educational Interventions and Information Sources together with Financial Self-Efficacy for Sustainable Financial Behavior. The variables produce a strong model fit for Sustainable Financial Behavior considering the adjusted R² value of 0.692 and R² value of 0.695 assess to 69.5% variation in SFB. Statistical results indicate that each predictor influences SFB because the model achieves $p < .001$ significance with an $F(3, 268) = 203.941$ value.

The statistical test confirms that every predictor exhibits a direct positive relationship with Sustainable Financial Behavior (SFB). SFB shows a direct increase of 0.19 units for each unit elevation in EI following the control of other variables according to the unstandardized coefficient value (B=0.19) with $t=4.293$, $p<0.001$. A standardized value of Beta equals 0.217 to show moderate effect size. IS demonstrates substantial influence on SFB through both Beta coefficients of 0.413 and 0.465. FSE proves significant to SFB performance according to the study through its B value of 0.203 ($t = 2.945$, $p = 0.004$) and standardized Beta of 0.213.

Academic research supports that financial education combined with information access generates stable financial behaviors according to these investigation results. People gain improved financial confidence through education in resulting self-confident individuals who adopt responsible financial practices according to Herawati et al. (2020). The work by Mindra and Moya (2017) proves financial self-efficacy creates better financial inclusion and responsible decision making regarding money management. Significant coefficients in the research data establish that educational initiatives and information distribution create essential bases for establishing sustainable financial practices.

7. DISCUSSION

The findings indicate that sustainable financial behavior is strengthened when financial education is complemented by access to credible information and higher levels of financial self efficacy. Recent evidence suggests that sustainable finance literacy significantly predicts sustainable asset ownership and responsible investment behavior (Filippini et al., 2024). Information transparency and reliable disclosure enhance investor confidence and support environmentally aligned financial decisions (Huang & Kung, 2022). Research also confirms that financial self efficacy plays a mediating role in translating financial knowledge into proactive financial actions (Gulati & Singh, 2024). Moreover, demographic factors such as education and profession influence financial capability and sustainable investment engagement (Darriet et al., 2023).

8. CONCLUSION AND RECOMMENDATIONS

The study concludes that sustainable finance education, access to credible information, and financial self efficacy collectively enhance environmentally friendly financial behavior. Information sources exert a strong influence, while education strengthens financial capability and confidence to practice responsible financial decision making. Financial self efficacy plays a key role in translating knowledge into sustainable action. Demographic differences further highlight the need for inclusive learning strategies. It is recommended that policymakers and financial institutions integrate sustainability concepts into financial literacy programs, expand reliable digital information platforms, and design targeted training initiatives that enhance financial confidence across diverse population segments to promote long term sustainable financial practices.

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