



The Influence of Financial Literacy and Environmental Awareness on Green Investment Decisions

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Abstract. This study aims to analyze the influence of financial literacy and environmental awareness on green investment decisions among investors in Indonesia. Green investment plays a crucial role in supporting sustainable economies and mitigating the negative impacts of climate change. The population of this study consists of individuals actively engaged in investment activities in Indonesia, with a sample of 136 respondents selected using purposive sampling. The respondents are investors aged 17-44 years with knowledge of Environmental, Social, and Governance (ESG) aspects. The results of multiple linear regression analysis show that both financial literacy and environmental awareness significantly influence green investment decisions ($p\text{-value} < 0.05$). Financial literacy has a regression coefficient of 0.459, indicating that an increase in financial literacy enhances green investment decisions by 45.9%. However, environmental awareness exerts impact, with a regression coefficient of 0.164, means that a one unit increase in environmental awareness leads to a 16.4% increase in green investment decisions. These findings demonstrate that financial literacy is more dominant in driving green investment decisions compared to environmental awareness. Therefore, more intensive environmental awareness campaigns, combined with efforts to improve financial literacy, can be an effective strategy to boost participation in green investments. The results provide valuable insights for policymakers and financial institutions in designing programs that support sustainable investment practices.

Keywords: Financial Literacy, Environmental Awareness, Green Investment.

1 Introduction

A sustainable economy is a key focus in 2024, with green investment playing a central role in global efforts to address environmental and economic challenges. Worsening climate change, scarcity of natural resources, and increased awareness of the importance of protecting the environment have prompted various business sectors and governments around the world to adopt a more sustainable approach in their economies. Green investment is one of the main pillars in a sustainable economy in 2024. Investors, both individuals and large financial institutions, are increasingly focusing on environmentally friendly projects. They see investments in renewable energy, green technologies, and businesses committed to sustainable practices as ways to reap long-term benefits and mitigate the negative impacts of climate change.

In recent years, the urgency to transition to sustainable economic practices has become increasingly apparent, characterized by the increasing frequency and intensity of extreme weather events, as well as increasing social pressure on companies to reduce carbon footprint. Green investments, which focus on projects and initiatives that support environmental sustainability, are crucial in addressing these challenges [1]. These investments not only seek financial benefits but also contribute positively to the environment and society, supporting the achievement of global goals as formulated in the UN Sustainable Development Goals.

According to Deloitte Global [2], green investment is important because it has a significant positive impact on the environment and society as a whole. By making green investments, companies can ensure regulatory compliance and avoid legal and reputational risks that may arise if they do not meet the set environmental standards. Consumers and investors are increasingly aware of the environmental impact of business activities, and they are more likely to choose companies that are committed to sustainable business practices. By making green investments, companies can strengthen their image as agents of change who care about the environment and society.

Several factors can attract people to invest in green investments, the first factor is environmental awareness, investors choose to invest with an environmental focus. Environmental awareness reflects an individual's level of concern for environmental issues and their commitment to sustainable behavior. Research by [3] found that these attitudes influence not only everyday consumption decisions but also investment decisions, with individuals who demonstrate a high level of environmental concern likely to invest more of their capital into green assets. This attitude reflects an individual's view of the importance of protecting the environment and often influences their economic behavior and decisions, including in investments. In the context of investing, environmental awareness encourages individuals to choose portfolios or assets that contribute to sustainability goals.

According to a report from PWC [4], as many as 79% of institutional investors worldwide consider environmental, social, and governance (ESG) factors as important elements in investment decision making. This figure has increased significantly compared to previous years, which shows a paradigm shift in the world of global investment [4]. In addition, the report also shows that millennials and Gen Z are the groups most affected by environmental issues in their investment decisions. About 90% of this group stated that they prefer to invest in companies that have a commitment to environmental sustainability [4].

The second factor is financial literacy. OJK [5] states that financial literacy is the ability of individuals to understand and use financial information effectively, make better financial decisions, and choose financial products and services that suit their needs and goals. A high level of financial literacy has significant benefits, such as increased income through productive investment, better economic growth, increased financial transactions, and opportunities for those who did not have access to finance before.

Financial Literacy includes knowledge and understanding of financial products as well as the ability to use financial information to make informed decisions, proving crucial in enabling individuals to make informed and responsible investment decisions. A recent study by [6] shows that higher financial literacy correlates with an

increased likelihood of individuals investing in green options, implying that financial literacy can significantly influence sustainable green investment behavior.

However, there is still a lack of a comprehensive understanding of how these two factors, financial literacy and environmental awareness simultaneously influence green investment decisions. Most previous studies only explored one aspect or used samples that did not reflect the diversity of the investor population as a whole [7]. Therefore, this study is designed to fill this gap by investigating the complex relationship between financial literacy, environmental awareness, and green investment decisions.

This study aims to test the hypothesis that financial literacy and environmental awareness, together, have a significant influence on sustainability focused investment decisions. The results of this study are expected to provide important insights for investors, fund managers, and policymakers on how best to support and promote green investments. This research aims to fill in these gaps and make a significant contribution to the literature, by combining rigorous empirical analysis with theory of reasoned action.

2 Methodology

This study uses a quantitative approach to examine the influence of financial literacy and environmental awareness on green investment decisions. This study aims to identify the extent to which financial literacy and environmental awareness affect green investment decisions, especially in investors in Makassar, Indonesia.

The population in this study is individuals involved in investment activities in Indonesia, specifically those who have knowledge or involvement in investments related to sustainability or green investment aspects. This study uses a purposive sampling technique to select respondents who meet the predetermined criteria. The number of samples used in this study was 136 respondents. Sample selection is carried out with the following criteria:

1. Respondents are individuals who have been active in investing
2. Respondents aged 17-44 years and have an understanding or involvement in investments that consider environmental, social, and governance (ESG) aspects.

Data collection was carried out online through questionnaires distributed through online platforms. Data collection was conducted over a period of 1 month, during which the questionnaire was distributed online to investor communities.

3 Result

This study aims to analyze the influence of financial literacy and environmental awareness on green investment decisions among investors in Indonesia. Of the 136 respondents who met the criteria, the collected data were analyzed descriptively and inferentially using the multiple linear regression method.

Respondent Description.

Based on research on the community in Makassar City, it shows that the characteristics of respondents include age, gender, and investment period.

This data shows the distribution of gender of the research sample respondents. The majority of respondents are female (91%), while men are only (9%) of the total respondents.

Most respondents are in the age range of 24-30 years (42%), Generations that have an age range of 38-44 years (30%), aged 31-37 years (18%) and followed by the age group 17-23 years (10%). investment period of respondents. The majority of respondents have an investment period of 2 years (40%), followed by an investment period of 1 year (33%), 3 years (21%) and those who invest for 4 years (6%).

Table 1. Respondents Characteristics

No	Characteristics	Classification	Frequency	Percent
1	Gender	Female	124	91%
		Men	12	9%
		Total	136	100%
2	Age	17-23 years	13	10%
		24-30 years	58	42%
		31-37 years	24	18%
		38-44 years	41	30%
		Total	136	100%
3	Investment Period	1 year	45	33%
		2 years	54	40%
		3 years	29	21%
		4 years	8	6%
		Total	136	100%

Validity Test

The test results shown in Table 2 indicate that all research instruments used to measure the variables of financial literacy, environmental awareness, and investment decisions have a correlation coefficient value greater than the r table. The results of this test indicate that each statement found in the research instrument is valid, and therefore, the research instrument can be considered feasible to be used as a research tool.

Table 2. Validity Test

Financial validity

No	Items	Corrected Item	r Table
1	X1.1	0,718	0,168
2	X1.2	0,368	0,168
3	X1.3	0,371	0,168
4	X1.4	0,631	0,168
5	X1.5	0,400	0,168

6	X1.6	0,584	0,168
7	X1.7	0,432	0,168
8	X1.8	0,673	0,168
9	X1.9	0,586	0,168

Table 3. Environmental Awareness

No	Items	Corrected Item	r Table
1	X1.1	0,511	0,168
2	X1.2	0,408	0,168
3	X1.3	0,839	0,168
4	X1.4	0,673	0,168
5	X1.5	0,296	0,168
6	X1.6	0,722	0,168
7	X1.7	0,828	0,168
8	X1.8	0,499	0,168

Table 4. Test the Validity of Green Investment Decisions

No	Items	Corrected Item	r Table
1	Y.1	0,552	0,168
2	Y.2	0,557	0,168
3	Y.3	0,478	0,168
4	Y.4	0,382	0,168
5	Y.5	0,515	0,168
6	Y.6	0,544	0,168
7	Y.7	0,554	0,168
8	Y.8	0,469	0,168
9	Y.9	0,391	0,168
10	Y.10	0,310	0,168

Reliability Test

According to the results of the reliability test shown in Table 4, the three instruments tested can be considered reliable and have a Cronbach's Alpha coefficient of more than 0.70. Thus, they can be used in this study.

Table 5. Reliability test

Variable	Cronbach's Alpha	N of Items
Financial Literacy (X_1)	0.729	9
Environmental Awareness (X_2)	0.759	8
Green Investment Decisions (Y)	0.708	10

Classical Assumption Test.

In Table, the Asymp. Sig. (2-tailed) value is 0.088, which indicates that the regression equation model has a normal distribution, because its value exceeds the alpha value of 0.05.

Table 6. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		136
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	2.15147548
Most Extreme Differences	Absolute	.071
	Positive	.040
	Negative	-.071
Test Statistic		.071
Asymp. Sig. (2-tailed)		.088 ^c

Multicollinearity Test

. The multicollinearity test was conducted to ensure that there was no very high correlation between the independent variables (financial literacy and environmental care attitudes). Multicollinearity can be seen through the values of Variance Inflation Factor (VIF) and Tolerance.

Multicollinearity Test Results:

1. VIF for financial literacy = 1.085 and for environmental awareness = 1.085 ($VIF < 10$), so it can be concluded that there is no problem of multicollinearity.
2. The tolerance for both variables was 0.922 (> 0.1), which showed that there was no multicollinearity problem between financial literacy and environmental care.

Heteroscedasticity Test.

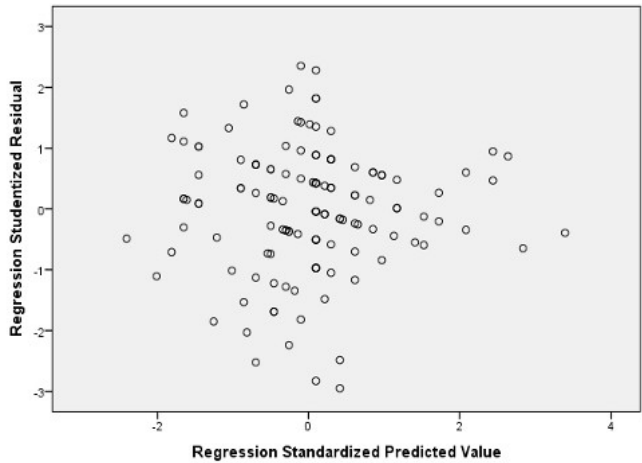


Fig. 1. Heteroscedasticity Test

Based on Figure 1 above, it shows that the points are spread randomly, spread both above and at zero on the Y axis and the points do not form a clear pattern. Therefore, the regression model is said not to experience heteroscedasticity.

Multiple linear regression analysis to test the influence of financial literacy and environmental awareness on green investment decisions, multiple linear regression analysis was carried out. The regression model used is as follows:

$$Y=34.734+0,459X_1+0,164X_2+e$$

The influence of each independent variable on its dependent variable is indicated by the magnitude and direction of the results of the multiple linear regression equation. A positive value of the regression coefficient indicates a unidirectional influence. The equation is explained as follows:

1. The constant value of 34.734 indicates that the value of the green investment decision will be a constant of 34.734 if the financial literacy and environmental awareness variables are equal to zero (0).
2. With a regression coefficient of 0.459, the financial literacy variable has a positive direction. In other words, if the independent variable motivation increases by 1 unit and the other independent variables remain the same, the investment decision variable will increase by 0.459.
3. The environmental awareness variable shows a positive regression coefficient of 0,164. This indicates that every 1 unit increase in the environmental awareness variable will increase by 0.164.

Determination Coefficient (R²)

Based on Table, the Adjusted R Square value of 0.473 indicates that 47.3% of the variation in green investment decisions is influenced by the variables of financial literacy and environmental awareness. Other variables influenced by 100% - 47.3% = 52.7%

Table 7. Determination Coefficient

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.695 ^a	.484	.473	1.462

F-test

. In the Table, the results of the analyzed F-test show a significance value of 0.000, which is smaller than 0.05. These results indicate that there is a significant influence of financial literacy and environmental awareness on green investment decisions. Therefore, this model is considered worthy of further testing, and the process of proving the hypothesis can be continued.

Table 8. ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	92.098	2	46.049	9.801	.000 ^b
Residual	624.894	133	4.698		
Total	716.993	135			

T-Test

Based on the results of the t-test in Table above, the results of the t-test can be explained as follows:

1. The effect of financial literacy on green investment decisions

The results of the financial literacy variable test show that H0 is rejected and H1 is accepted, with a significance value of 0.00 and a calculated t value of 4.359 which is greater than the t-table value of 1.977. These results indicate that financial literacy has a positive effect on green investment choices, which means that more financial literacy will further increase green investment decisions.

2. The effect of environmental awareness on green investment decisions

The results of the green investment decision variable test show that H0 is rejected and H2 is accepted, with a significance value of 0.02 which is less than 0.05 and a calculated t value of 2.963 which is greater than the t-table value of 1.977. These results indicate that environmental attitudes have a significant positive effect on green investment decisions, which means that more environmental attitudes will increase green investment decisions.

Table 9. T-test

Model	Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
1 (Constant)	34.734	3.966		8.759	.000
Financial Literacy	.459	.105	.368	4.359	.000
Environmental	.164	.084	.166	2.963	.000

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Awareness		0
		63
0.	Dependent Variable: Green Investment Decisions	2

4 Discussion

4.1 Financial Literacy and Green Investment Decisions

The results of this study indicate that the level of financial literacy has a positive impact on green investment decisions. This indicates that making investment decisions that focus on sustainability increases with a person's level of financial knowledge. A person must have the knowledge needed to make good investment decisions, and having a good understanding of various investment options can help a person become more confident in making investments. In terms of investment, having sufficient knowledge is very important for choosing the right investment, and a good understanding of the elements of investment can increase confidence. This finding is in line with the Theory of Reasoned Action, which is often used to predict consumer intentions and behavior in behavioral research. The results of this study are in accordance with previous studies conducted by [8], [9] and [10], which show that financial literacy has a positive effect on green investment decisions.

4.2 Environmental Awareness and Green Investment Decisions

The results of this study indicate that environmental awareness has a positive and significant effect on green investment decisions. People who are more concerned about the environment tend to be more willing to invest in companies that are committed to sustainability. They believe that green investment can help reduce negative environmental impacts and create a more sustainable future. There are several factors that can explain this relationship. First, people who care about the environment tend to be more informed about environmental issues. They realize that climate change and pollution are serious problems that require attention. Second, people who care about the environment tend to be more confident that they can make a difference. They believe that green investment can help them make a positive impact on the environment. Several studies have shown a positive relationship between environmental awareness and green investment decisions. People who are more concerned about the environment are more likely to invest in companies that have high Environmental, Social, and Governance (ESG) ratings. Green investment decisions can have a positive impact on the environment and society. These investments can help reduce greenhouse gas emissions, protect natural resources, and create green jobs. As more people care about the environment, the likelihood of green investment will continue to increase. This finding is in line with the Theory of Reasoned Action that a person's behavior is influenced by their attitude towards the behavior and subjective norms, namely the views of those closest to them towards the behavior. The results of this study are in accordance with previous studies conducted by [10], [11], and [12] which prove that environmental concern has a positive effect on green investment decisions. In the Indonesian context, the increasing environmental

awareness among millennials and Gen Z is also reflected in their preference for green investment. A report from [4] shows that the younger generation is more likely to choose to invest in companies that have a commitment to environmental sustainability. This shows that environmental awareness is an important factor influencing the trend of green investment among young investors in Indonesia.

These results indicate that environmental awareness plays a very important role in driving green investment decisions. Even stronger than financial literacy, the attitude of caring for the environment encourages individuals to take action to support the environment in the form of green investments. Therefore, more intensive environmental awareness campaigns can be an effective strategy to increase participation in green investments. Governments, non-governmental organizations (NGOs), and the private sector can collaborate in educating the public about the importance of environmental conservation and how investment decisions can contribute to global sustainability.

In addition, companies that want to attract investors who care about the environment can strengthen transparency related to their environmental policies. Companies that demonstrate a real commitment to environmental conservation will be more attractive to investors who have high environmental awareness. By improving communication about the positive impacts of environmental policies, companies can attract more investment from individuals who prioritize sustainability.

4.3 The Relationship between Financial Literacy and Environmental Awareness

Although financial literacy has a significant influence, this study shows that environmental awareness influences green investment decisions. This shows that while financial understanding helps investors to assess the risks and returns of green investments, their primary motivation for investing in green projects comes from personal values related to sustainability. [2] shows that ESG (environmental, social, governance) considerations are increasingly becoming a key factor in investment decisions, especially among the younger generation. The awareness of the environment encourages them to choose financial products that are in accordance with sustainability.

In this case, the relationship between financial literacy and environmental awareness is important because they complement each other in influencing green investment decisions. Financial literacy provides investors with the tools they need to understand the technical aspects of green investing, while an environmentally conscious attitude provides a strong motivation to choose financial instruments that support environmental sustainability. Financial literacy and environmental awareness show that a holistic approach is needed to encourage participation in green investments. Investors need a good financial understanding to manage green investment risks, but their main motivation comes from pro-environmental values. Therefore, efforts to improve financial literacy must be accompanied by an intensive environmental awareness campaign. This approach will help create a generation of investors who are not only financially savvy, but also care about the long-term impact of their financial decisions on the environment.

This research has several practical implications that are important for various stakeholders. The government needs to continue to support the improvement of financial literacy through educational programs that are more inclusive and include sustainability aspects. In addition, a more structured and intensive environmental awareness campaign must be implemented to encourage environmental awareness among the community. The government can also provide incentives for green investment, such as tax breaks for companies that implement environmentally friendly policies. Financial institutions need to create green investment products that are more transparent and easily accessible to the public. Financial institutions can also integrate sustainability into the financial education programs they offer.

5 Conclusion

This study aims to analyze the influence of financial literacy and environmental awareness on green investment decisions among investors in Indonesia. Based on the results of multiple linear regression analysis, it was concluded that these two variables have a significant influence on green investment decisions. Environmental awareness showing that sustainability values are the main factors driving investment decisions in green projects.

Financial literacy plays an important role in enabling investors to understand the risks and returns of green investment. Investors with higher financial literacy are more confident in making decisions related to environmentally friendly financial instruments. This indicates that increasing financial literacy in the community, especially through sustainability-focused financial education, can encourage more participation in green investment.

Environmental care has a stronger influence than financial literacy on green investment decisions. Investors who have a high awareness of environmental issues tend to align their financial decisions with pro-environmental values. This shows that environmental awareness campaigns and initiatives that emphasize the importance of nature conservation will be very effective in increasing investor participation in supporting sustainable projects.

The combination of increasing financial literacy and strengthening environmental awareness can be an effective strategy to encourage greater participation in green investment in Indonesia. A concerted effort from governments, financial institutions, corporations, and civil society organizations is needed to form a generation of investors who are not only financially savvy, but also care about environmental sustainability. Thus, green investment can be a key driver in efforts to achieve sustainable development and overcome the global environmental crisis.

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