

Green Financial Literacy, Environmental Awareness, and Return Expectation toward Green Investment Interest in the Capital Market: A Systematic Literature Review

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ABSTRACT

Objective: This article aims to synthesize empirical evidence on the role of Green Financial Literacy, Environmental Awareness, and Return Expectation in Green Investment Interest while mapping the research gaps that remain open. **Method:** A systematic literature review adapting the PRISMA flow was employed, covering identification, screening, eligibility assessment, and synthesis of ten relevant primary articles and supporting theoretical literature published between 2020 and 2026. **Results:** The review indicates that the three variables are generally reported to have positive relationships with green investment interest or decisions, although the strength of influence, operational definitions, and research models vary across studies. The Theory of Planned Behavior emerges as the most frequently used theoretical framework, with Green Financial Literacy associated with perceived behavioral control, Environmental Awareness with attitude toward behavior, and Return Expectation with benefit evaluation and investment motivation. **Novelty:** The review identifies limited evidence from investors outside Java, underused mediating and moderating variables, inconsistent Green Financial Literacy measurement instruments, and the limited simultaneous examination of the three determinants. It therefore proposes an integrated conceptual framework for future quantitative and qualitative studies.

INTRODUCTION

Sustainable development, which integrates economic, social, and environmental dimensions, has increasingly extended into finance and investment, giving rise to sustainable finance approaches [1] that incorporate Environmental, Social, and Governance (ESG) considerations into investment decisions [2]. Green investment represents one of the practical manifestations of this development because it channels capital toward projects and financial instruments that support environmental protection and the transition to a low-carbon economy [3].

In Indonesia, this direction has been reinforced by the Sustainable Finance Roadmap Phase II (2021-2025), which emphasizes the development of a comprehensive sustainable-finance ecosystem, including policy, products, market infrastructure, coordination, human resources, and public awareness [4]. Nevertheless, the expansion of sustainable investment products has not automatically generated equally broad retail-investor participation. The 2025 National Survey of Financial Literacy and Inclusion reported a national financial-literacy index of 66.46%, indicating that significant room remains for strengthening public understanding of financial products and their risks [5]. This gap is especially relevant to green financial products, which require investors to

understand both conventional financial characteristics and sustainability-related attributes.

The difference between the growth of green investment instruments and the level of public participation and understanding has encouraged empirical research on the determinants of green investment interest. Financial literacy has been linked to green investment decisions among Generation Z investors [7], while Environmental Awareness has also been reported as a positive determinant of green investment decisions [8]. Further evidence shows that financial literacy supports green investment decisions among younger investors [9]. Profitability expectations have likewise been associated with sustainable investment decisions [10]. Other studies have examined financial literacy together with subjective norms, green investment knowledge, and perceived behavioral control [11]. Behavioral research has also applied the Theory of Planned Behavior and environmental concern to green investment intention [12]. Evidence from green-bond investors shows that some relationships may differ according to the investment instrument considered [13]. Mediation analysis has further highlighted the role of financial literacy between sustainable-investment awareness, risk perception, and investment interest [14]. Research on millennial investors has also connected Green Financial Literacy with sustainable investment behavior [15], while recent evidence links ESG literacy and Environmental Awareness with green investment interest [16]. These variations in operational definitions, respondent characteristics, investment instruments, and analytical models indicate that the evidence is not yet fully consolidated.

Unlike primary quantitative studies that collect new field data from a specific sample, this article applies a systematic literature review (SLR). The review identifies, screens, evaluates, and synthesizes prior empirical evidence in a structured manner in order to map relationships among the variables, the theoretical frameworks used, consistencies and inconsistencies in findings, and research gaps that remain open. The review process adapts the PRISMA 2020 reporting logic as a transparent framework for identification, screening, eligibility assessment, and synthesis [6].

Accordingly, this article addresses five questions: how Green Financial Literacy is related to Green Investment Interest; how Environmental Awareness is related to Green Investment Interest; how Return Expectation is related to Green Investment Interest; which theoretical framework is most frequently used to explain these relationships; and which research gaps should be prioritized in future studies. The study aims to synthesize and systematically evaluate empirical evidence on these determinants, map their theoretical foundations, and formulate an integrated conceptual basis for subsequent research.

Theoretically, the review is expected to enrich the literature on the determinants of sustainable investment behavior and clarify the position of the Theory of Planned Behavior in explaining green investment interest. Practically, the synthesis may assist regulators, capital-market institutions, academics, and financial-service providers in designing more targeted green-finance education programs and investment products.

RESEARCH METHOD

Research Design

This article uses a systematic literature review design adapted from the PRISMA 2020 flow, consisting of identification, screening, eligibility assessment, and synthesis stages [6]. The design was selected because the relevant literature is distributed across different empirical contexts and employs heterogeneous measures and analytical techniques.

Data Sources and Search Strategy

The literature search covered journal articles, conference proceedings, and working papers examining the relationship between Green Financial Literacy, Environmental Awareness, Return Expectation, and green investment interest or decisions. Search terms included combinations of “Green Financial Literacy,” “Environmental Awareness,” “Return Expectation,” “green investment intention,” “green investment decision,” and “sustainable investment.” The review period was limited to publications from 2020 to 2026 in order to capture recent developments in sustainable finance in Indonesia and comparable international contexts.

Inclusion and Exclusion Criteria

The inclusion criteria were: (1) the study examined at least one of the three focal determinants in relation to green or sustainable investment interest or decisions; (2) the study used a quantitative design with regression, PLS-SEM, SEM, or a comparable inferential technique; and (3) the study fell within the 2020-2026 publication period. Studies were excluded when they did not report clear hypothesis-testing results, duplicated previously identified evidence, or examined constructs that were not sufficiently related to sustainable-investment intention or decision-making.

Selection and Synthesis Process

Ten primary articles met the criteria for in-depth review. The studies were synthesized thematically according to the three principal determinants, the theoretical framework used, and similarities or differences in empirical findings. A thematic synthesis was preferred because the measurement instruments, respondent profiles, investment instruments, and statistical specifications were sufficiently heterogeneous that a statistical meta-analysis of pooled effect sizes was not appropriate for the present review.

RESULTS AND DISCUSSION

Results

Mapping of Primary Studies

Table 1 summarizes the ten primary studies used as the basis of the synthesis, including their main variables, analytical approaches, and principal findings. The evidence is dominated by younger respondents, particularly Generation Z and millennial investors, and most studies employ regression-based models, while a smaller number use PLS-SEM or SEM.

Table 1. Summary of Primary Studies

No.	Researcher (Year)	Variables Examined	Method	Main Findings
1	Kustina, Kurniawan, and Utari (2024) [7]	Financial literacy; environmental concern -> green investment decisions (Generation Z, Denpasar)	Multiple linear regression	Both variables have positive and significant effects.
2	Mansyur and Rahim (2025) [8]	Financial literacy; Environmental Awareness -> green investment decisions	Multiple linear regression	Both variables have positive and significant effects.
3	Sutadi and Rahmawati (2024) [9]	Financial literacy -> green investment decisions (Generation Z)	Linear regression	Financial literacy has a positive effect.
4	Kriekoff (2026) [10]	Green investment awareness; climate-risk perception; profitability expectations -> sustainable investment decisions	Multiple linear regression	All three variables have positive and significant effects; profit expectations show the strongest effect.
5	Suprpto and Saputra (2025) [11]	Financial literacy; subjective norms; green investment knowledge; perceived behavioral control -> green investment intention	SEM	Financial literacy and green- investment knowledge contribute to attitude, which supports green investment intention.
6	Candy, Kelvin, and Hesniati (2024) [12]	TPB constructs; environmental concern -> green investment intention	PLS-SEM	Green perceived behavioral control and environmental concern have positive significant effects.

No.	Researcher (Year)	Variables Examined	Method	Main Findings
7	Dalimunthe and Arif (2022) [13]	Risk perception; environmental concern -> intention to invest in green bonds	Multiple linear regression	Risk perception is significant, while environmental concern is not significant; financial literacy has a moderating role.
8	Auriellia and Gunarsih (2025) [14]	Sustainable investment awareness; risk perception -> interest in green finance instruments; financial literacy as mediator	PLS-SEM	Sustainable investment awareness, risk perception, and financial literacy increase investment interest; financial literacy mediates the relationships.
9	Wulandari, Goso, and Rahmawati (2026) [15]	Green Financial Literacy -> sustainable investment behavior among millennial investors	SmartPLS	Green Financial Literacy has a positive effect.
10	Avrilia, Jasman, and Hapid (2026) [16]	ESG literacy; environmental awareness; sustainable-finance attitude -> green investment interest	SEM-PLS	All variables have positive and significant effects; environmental awareness is the dominant factor.

Most of the reviewed studies employ conventional regression or SEM-based methods. The empirical contexts are dominated by young investors and students in urban settings, while evidence from regions outside major economic centers remains comparatively limited. This geographical concentration is important because access to financial information, exposure to ESG products, investment experience, and regional capital-market participation may differ substantially across locations.

Green Financial Literacy and Green Investment Interest

The reviewed literature generally reports a positive relationship between financial literacy and green investment interest or decisions [7]. Green Financial Literacy can be understood as the ability to comprehend financial concepts, sustainable-finance products, investment risks, and the environmental implications of financial choices. In behavioral terms, greater literacy can reduce uncertainty and improve confidence in evaluating green instruments [8]. It can also strengthen investors' ability to distinguish

credible sustainability products from potentially misleading green claims. Evidence among younger investors further supports the positive role of financial literacy in green investment decisions [9]. Related models that incorporate green investment knowledge and perceived behavioral control also reinforce the importance of investors' cognitive capability [11]. Auriellia and Gunarsih show that financial literacy can operate as a mediating mechanism between sustainable-investment awareness, risk perception, and investment interest [14]. Evidence from millennial investors likewise connects Green Financial Literacy with sustainable investment behavior [15].

Despite this broadly consistent direction, the construct is not measured uniformly. Some studies employ general financial-literacy indicators and adapt them to green investment contexts, while others use investment knowledge, ESG literacy, or sustainable-finance awareness as related constructs. This measurement heterogeneity complicates direct comparison and suggests a need for a more standardized Green Financial Literacy instrument that simultaneously captures knowledge of financial principles, green financial products, ESG characteristics, risk, return, and the environmental consequences of investment choices.

Environmental Awareness and Green Investment Interest

Environmental Awareness is generally associated with stronger interest in sustainable investment [7]. Similar evidence indicates that environmental awareness contributes positively to green investment decisions [8]. Awareness reflects the extent to which individuals recognize environmental problems, understand the environmental consequences of economic activity, and consider sustainability when evaluating investment alternatives. Research using the Theory of Planned Behavior also identifies environmental concern as an important determinant of green investment intention [12]. This mechanism is compatible with the attitudinal component of the Theory of Planned Behavior because environmental concern can contribute to a more favorable evaluation of green investment behavior [17]. Recent evidence on ESG literacy and sustainable-finance attitudes provides additional support for the role of Environmental Awareness in green investment interest [16].

However, the evidence is not entirely uniform. Dalimunthe and Arif [13] found that environmental concern was not statistically significant in explaining individual investors' intention to invest in green bonds, even though risk perception and the interaction involving financial literacy were significant. This divergence indicates that the influence of environmental awareness may depend on the type of green instrument, the respondent profile, perceived financial risk, and the extent to which environmental values are translated into actual investment preferences. Therefore, generalizations across green stocks, ESG mutual funds, green bonds, and other sustainable instruments should be made cautiously.

Return Expectation and Green Investment Interest

Return Expectation represents the financial-benefit dimension of sustainable investment. Kriekoff [10] reports that profitability expectations have a positive and

significant effect on sustainable investment decisions and, among the examined predictors, show the strongest relationship. This result is consistent with broader sustainable-investment evidence indicating that investors may support social and environmental objectives while still expecting competitive financial performance [18]. In other words, the sustainability orientation of an investment does not eliminate the conventional risk-return logic that underlies portfolio decisions.

Compared with Green Financial Literacy and Environmental Awareness, however, Return Expectation is less frequently operationalized as an independent construct in the reviewed Indonesian literature. It is often embedded in perceived benefit, financial performance, profitability expectation, or risk-return considerations rather than measured with a standardized scale. This limited replication makes Return Expectation an important area for additional empirical testing, especially within models that simultaneously include cognitive and environmental determinants.

Simultaneous Effects and the Role of Other Variables

Studies that simultaneously examine Green Financial Literacy, Environmental Awareness, and Return Expectation in an identical model remain uncommon. Some research emphasizes profitability expectations together with green-investment awareness and climate-risk perception [10]. Other models combine financial literacy with subjective norms, green investment knowledge, and perceived behavioral control [11], while behavioral studies integrate environmental concern within the Theory of Planned Behavior [12]. Research on green bonds additionally highlights the role of perceived risk [13]. Mediation models have examined financial literacy between sustainable-investment awareness and investment interest [14], whereas other studies focus on sustainable investment behavior among millennial investors [15]. Recent work also combines ESG literacy, Environmental Awareness, and sustainable-finance attitudes [16]. This pattern suggests that a fully integrated model can provide additional value by testing whether cognitive capability, environmental orientation, and expected financial benefits contribute independently or interactively to green investment interest.

The literature also indicates growing interest in mediation and moderation. Auriellia and Gunarsih [14], for instance, show that financial literacy can mediate the relationship between sustainable investment awareness and investment interest. Dalimunthe and Arif [13] demonstrate that financial literacy can also condition the relationship between environmental concern and green-bond intention. Such findings imply that the three focal determinants may not operate only as direct predictors; instead, their effects can be strengthened, weakened, or transmitted through other psychological and financial mechanisms.

Theoretical Foundation: Theory of Planned Behavior

The Theory of Planned Behavior (TPB) developed by Ajzen [17] is the most prominent behavioral framework identified in the reviewed literature. TPB proposes that behavioral intention is shaped by attitude toward the behavior, subjective norms, and perceived behavioral control. In the context of sustainable investment, the framework is

sufficiently flexible to accommodate cognitive, normative, and evaluative determinants of investor intention. Candy et al. [12] empirically apply TPB to green investment intention and find that green perceived behavioral control and environmental concern are significant positive determinants, while other TPB dimensions show more context-dependent effects.

- a. Green Financial Literacy is conceptually related to perceived behavioral control because a stronger understanding of products, risks, and investment mechanisms can increase an investor's confidence and perceived capability to act.
- b. Environmental Awareness is closely related to attitude toward behavior because concern for environmental consequences can strengthen favorable evaluations of sustainable investment.
- c. Return Expectation reinforces benefit evaluation and rational investment motivation because profitability expectations remain relevant in sustainable investment decisions [10]. Investors may support sustainable objectives while continuing to require acceptable financial performance [18].

This mapping indicates that TPB provides a useful umbrella for integrating the three determinants, although the reviewed studies use different terminology, including financial literacy, green investment knowledge, sustainable-investment awareness, environmental concern, profitability expectation, and ESG literacy. Greater conceptual consistency would improve the cumulative comparability of future evidence.

Research Gaps

- a. Geographical context gap. Most primary studies focus on investors in Java, major urban centers, or locations that are not clearly specified. Evidence from Bali, Nusa Tenggara, and other regions remains comparatively limited, despite differences in financial inclusion, investment participation, and access to sustainable-finance information.
- b. Measurement gap. Green Financial Literacy is not measured consistently across studies, reducing direct comparability and limiting the development of cumulative evidence.
- c. Simultaneous-model gap. Green Financial Literacy, Environmental Awareness, and Return Expectation are rarely tested together within a single integrated model even though each has demonstrated relevance in separate studies.
- d. Mediation and moderation gap. Variables such as investor trust, perceived risk, financial behavior, investment experience, and social norms have only occasionally been examined as mediators or moderators, leaving the mechanisms among determinants insufficiently mapped.
- e. Instrument-type gap. Many studies treat green investment as a broad category, while the different finding for green bonds [13] suggests that the type of

investment instrument may alter the strength or direction of relationships among behavioral determinants.

Proposed Conceptual Framework

Based on the theoretical synthesis and identified research gaps, this article proposes an integrated conceptual framework in which Green Financial Literacy, Environmental Awareness, and Return Expectation are positioned as determinants of Green Investment Interest, with the Theory of Planned Behavior serving as the overarching theoretical foundation. The model also leaves room for mediation through investor trust or attitude and moderation by perceived risk, investment-instrument type, investment experience, or geographical context. Such a framework can support subsequent empirical testing through cross-sectional, longitudinal, comparative, or mixed-method designs.

Discussion

The findings of this systematic literature review indicate that Green Financial Literacy, Environmental Awareness, and Return Expectation constitute important determinants of individuals' interest in green investment, although the magnitude and consistency of their effects vary across empirical contexts. Green Financial Literacy appears to strengthen investors' ability to understand sustainable financial products, evaluate investment risks and benefits, and distinguish genuinely sustainable instruments from products that merely adopt environmental labels. This suggests that financial knowledge in the green investment context extends beyond conventional financial literacy because investors are also required to understand environmental implications and sustainability characteristics embedded in financial products. Environmental Awareness similarly contributes to the formation of favorable attitudes toward green investment because individuals who are more concerned about environmental issues tend to perceive sustainable investment as consistent with their personal values and social responsibilities. However, the finding that environmental concern was not significant in the context of green bonds indicates that environmental motivation alone may not always be sufficient to generate investment intention, particularly when investors are simultaneously considering financial risk, product characteristics, liquidity, and expected returns. Return Expectation therefore remains an important economic consideration because investors generally seek both environmental value and acceptable financial performance from sustainable investment instruments. From the perspective of the Theory of Planned Behavior, these findings suggest that Green Financial Literacy can strengthen perceived behavioral control by increasing investors' confidence and capacity to make informed investment decisions, while Environmental Awareness contributes to a more positive attitude toward sustainable investment. Return Expectation complements these psychological considerations by reinforcing investors' evaluation of the economic benefits associated with green investment. The synthesis also reveals that previous studies have generally examined these determinants separately or in partial combinations, while relatively few studies

have integrated all three variables within a single empirical model. In addition, differences in measurement instruments, geographical settings, respondent characteristics, and types of green investment products may explain variations in findings across studies. These conditions highlight the need for a more integrated research framework that simultaneously considers financial knowledge, environmental orientation, and expected economic benefits when explaining green investment interest. Such an approach may provide a more comprehensive understanding of investor behavior and offer practical implications for regulators, financial institutions, and capital-market practitioners in designing green financial literacy programs, environmental-awareness campaigns, and transparent information regarding the expected risks and returns of sustainable investment products.

CONCLUSION

Fundamental Finding: The systematic review shows that Green Financial Literacy, Environmental Awareness, and Return Expectation are generally associated with stronger green investment interest or sustainable investment decisions, although the magnitude and consistency of the relationships vary according to measurement, respondent characteristics, and investment instruments. **Implication:** The findings support an integrated behavioral perspective in which financial capability, environmental orientation, and expected financial benefits jointly shape sustainable investment interest, indicating that regulators and financial institutions should combine green-finance education, environmental communication, and transparent information on risk and return. **Limitation:** The review is based on a relatively small and heterogeneous set of primary studies, many of which focus on younger urban respondents and employ different operational definitions and measurement instruments, which limits direct comparison and broad generalization. **Future Research:** Subsequent studies should test the three determinants simultaneously using standardized Green Financial Literacy measures, extend samples to underrepresented regions, examine different green financial instruments, and incorporate mediating or moderating mechanisms such as investor trust, perceived risk, financial behavior, and investment experience.

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