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## Sustainable Investment Practices of Franchisees: The Role of Green Finance, Net Zero Literacy and Corporate Governance

Francis Banaag<sup>1\*</sup>

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*Corporate Governance, Green Finance, Net Zero Literacy, Sustainable Investments*

### ABSTRACT

Investing in a sustainable company increases returns, and reduces risk, along with combatting climate change and even supporting diversity. The purpose of the study is to uncover the importance of green finance, net zero literacy, and corporate governance as predictors of sustainable investments from the perspective of selected business partners. Using the G\*Power version 3.1.9.4, the total sample size needed for this study is 77 while the actual participants was 94. The members of sample size were selected through purposive sampling, and the researcher used a partial least squares structural equation modeling (PLS-SEM) to test the hypothesis and model. While the findings indicated that green finance, net zero literacy, and corporate governance have no direct relationship with sustainable investments, the researcher uncovered indirect effects between net zero literacy and sustainable investment practices through green finance and corporate governance. Moreover, green finance can be integrated with corporate governance to achieve significant results. Lastly, indicators of green finance links significantly with corporate governance. The findings of the study show that there is no one-way straight approach for claiming sustainable investments show that there is no one-way straight approach to claiming sustainable investments practices in the context of franchising. This study can be the basis of identifying indicators that will add value to maximize resources deployed by the government to educate the society on sustainable investment practices. While the study's participants were business partners of franchise businesses, the researcher recommended including possible moderating variables, meet the parametric sampling requirement, increasing the sample size, and considering mixed method design in the methodology for a more compound investigation for future research.

### INTRODUCTION

While traditional investment strategies might focus purely on profit and returns, sustainable finance looks at a holistic range of additional priorities, such as helping to build a better world, reducing damage to the environment and society, and creating long term sustainable opportunities for all (Popescu & Stefania *et al.*, 2021). Sustainable investing has become increasingly popular due to demand from millennial and impact investors concerned with ethical investing and such funding companies with intrinsic values that make a positive impact and drive change. The world of finance might often seem quite removed from discussions around sustainability, but in fact, sustainable investing is a concept that has gained considerable traction over the past few years, with many major companies placing Environmental, Social and Governance (ESG) factors at the heart of their operational principles (Alshater *et al.*, 2021). Sustainability, in all its forms, is becoming a focal point for capital market investors and issuers alike. Environmental factors encourage investors to consider how companies manage their impact on our planet, through issues such as greenhouse emissions, waste and pollution, resource depletion and deforestation (Aramonte *et al.*, 2022). Social factors reflect how a company manages relationships with employees, clients and the wider community, on issues such as human rights, development and treatment of staff, stakeholder health

and safety and oversight of the company's supply chain (Dan & Ding, 2022). Governance considers how easily a company might be held accountable for its actions by looking at the diversity and structure of its Board of Directors, its business ethics, accounting standards, culture, transparency, and regard for shareholder rights (Avramov *et al.*, 2021). Green finance as one of the predictors can be claimed as any structured financial activity such as a product or service that's been created to ensure a better environmental outcome (Hafner *et al.*, 2020). Several studies has uncovered its significant role, thus it includes an array of loans (Hesary *et al.*, 2020; Gilchrist *et al.*, 2021), debt mechanisms and investments that are used to encourage the development of green projects or minimize the impact on the climate of more regular projects (Sachs *et al.*, 2019). It is regarded as a way of meeting the needs of environmentalism and capitalism simultaneously.

Governments have the biggest responsibility in the transition to net-zero emissions by mid-century. Considered as a pillar of social science, corporation, small and medium sized businesses, regions and investors needs to live up to their respective net-zero promises (Falcon & Marcello 2020; Fankhauser *et al.*, 2021). While the majority of countries have already set targets and commitment, provisions on reaching net zero emissions on timescales is consistently compatible with the Paris

<sup>1</sup> Rizal Technological University, Philippines

\* Corresponding author's e-mail: [fbanaag@rtu.edu.ph](mailto:fbanaag@rtu.edu.ph)

Agreement not limited with temperature goals (Hale *et al.*, 2021; Regufe *et al.*, 2021). Early commitments on the upcoming years (Stern *et al.*, 2021; Bag, 2023) such as Costa Rica (2050), Sweden (2045), Iceland, Austria (2040) and Finland (2035) while UK, Germany, France, Spain, Norway, Denmark, Switzerland, Portugal, New Zealand and Chile were aligned on the concept (Soest *et al.*, 2021; Ahmed *et al.*, 2022) as some forested countries are already carbon-negative and these countries absorbs more CO<sub>2</sub> than they emit.

Corporate governance was considered as well in this study and plays a crucial role to overcoming the current multidimensional crises (Fernandez 2016), which require extensive funds (Liang *et al.*, 2016; Bhagat *et al.*, 2019), and at the same time, require those funds to be implemented quickly yet responsibly. Transparent, legally sound and development-oriented financial management is fundamental to successful long-term development (Stafford *et al.*, 2017). Effective, accountable financial administration, functional supreme audit institutions, and politically and socially established control mechanisms is a requirement in today's achieving sustainable investment (Lagasio *et al.*, 2019). Corporate governance comes in and puts a stronger position to achieve sustainable development that is anchored with the Sustainable Development Goals of the 2030 Agenda (Haan *et al.*, 2015).

This study addresses the gap where sustainable investments literature is fragmented that leads difficulty on identifying what constitutes the said response variable. The purpose of the study is to determine and explore the role of green finance, net zero literacy, corporate governance and sustainable investments. In the following section, researcher present the theoretical foundation, operational conceptual framework, hypothesis development, methodology, analysis and results, followed by discussions. The researcher also discuss limitations of the study and directions for future research.

### Research Questions

The primary purpose of this study is to describe and explore the role of green finance, net zero literacy and corporate governance towards sustainable investments of selected business partners in National Capital Region, Philippines. The researcher seeks to answer the following research questions:

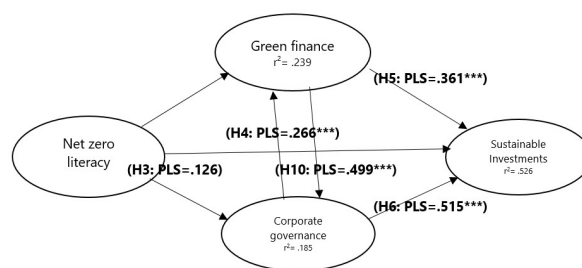
1. What is the nature of the relationship between green finance, net zero literacy and corporate governance in sustainable investment?
2. What practical insights and evidence-based recommendations can be derived to sustainable investments?

While most sustainable initiatives share the same end goals, not all investors share the same motivations. Sustainable investing encourages companies to embrace sustainable principles (Aramonte *et al.*, 2022; Berg & Florian, 2023), which can provide long-term social and

financial gains (Alshater *et al.*, 2021 ; Hakovirta Marko *et al.*, 2022; Raghavendra & Yu, 2023). This concept is embodied in the triple bottom line or the idea that, in addition to focusing on financial performance and generating profit, organizations should measure their social and environmental impacts (Dikau *et al.*, 2021).

### Theoretical Foundation and Operational Conceptual Framework

The rising importance of Environmental, Social and Governance (ESG) factors has been proven in financial performance and portfolios (Friede & Gunnar, 2015; Berg & Florian, 2023) and in reflecting a growing sensitivity of investors and corporations towards environmental, social and governance issues (Alshater *et al.*, 2021; Raghavendra & Yu, 2023). ESG influence has grown rapidly in recent years but sustainable investing and responsible impact in business are not new and has been gaining more widespread acceptance in the past few decades ESG functions as a valuation technique that takes into account environmental, social and governance issues. Using ESG in the private sector as a set of criteria used to evaluate a company's risks and practices is relevant in today's alternative investment. ESG frameworks are important to sustainable investing as they can help individuals investor and other corporations on determining whether the company is aligned with their values to primarily put first concepts in environmental, social and governance. The structural relationship of the green finance (Afzal *et al.*, 2023), net zero (Hakovirta Marko *et al.*, 2022), corporate governance (Campbell & Malcolm, 2018) and sustainable investment (Friede & Gunnar, 2015; Berg & Florian, 2023; Raghavendra & Yu, 2023) are illustrated in Figure 1.



**Figure 1:** Operational conceptual framework on sustainable investments, green finance, net zero literacy and corporate governance.

Source: PLS-Path Coefficients, \*\*\*=  $p < .01$ ,  $n = 94$

### Hypothesis Development

#### Green Finance and Sustainable Investments

The green finance sector is booming, and the development of this finance side brings changes in the dynamics of financial markets, investor behaviour, and regulatory and supervisory activity (Frimpong, Isaac, *et al.*, 2020). In all cases, the aim is to ensure that money has a positive impact on the environment. However, as great as this may sound, green finance does not come without its challenges

(Sachs *et al.*, 2019). The green sector and climate change are expected to be significant issues for the financial industry in the future. Green finance refers to financial products, services, and investments that are specifically designed to support environmentally sustainable and responsible projects, businesses, and initiatives (Gilchrist *et al.*, 2021). The primary goal of green finance is to allocate capital and financial resources toward activities that have a positive impact on the environment and help address climate change and other environmental challenges (Hafner *et al.*, 2020). It encompasses a wide range of financial instruments and strategies aimed at promoting sustainability and reducing the environmental footprint of economic activities. The final hypothesis is:

### **H1. Green Finance Links Significantly to Sustainable Investments**

#### **Corporate Governance and Sustainable Investments**

Corporate governance ensures that an organisation complies with the various laws and regulations governing financial reporting and transactions (Paniagua *et al.*, 2018). This not only helps in avoiding legal complications but also ensures transparency in operations. Corporate governance practices instil a culture of ethical decision-making within the organisation (Fernandez, 2016). It helps in minimising risks associated with financial mismanagement, fraud, and corruption (Bhagat *et al.*, 2019). Strong corporate governance frameworks are often looked upon favourably by investors and stakeholders (Stafford *et al.*, 2017). It builds trust and confidence, making the organisation an attractive investment opportunity. Corporate governance goes beyond just conforming to minimum requirements (Liang *et al.*, 2016). Leading organisations continuously assess the landscape and implement enhancements. The final hypothesis is:

### **H2. Corporate Governance Links Significantly to Sustainable Investments**

#### **Net Zero Literacy and Sustainable Investments**

Embracing a net zero approach aligns with evolving consumer preferences for sustainability (Fankhauser *et al.*, 2021), offering opportunities for market differentiation (Regufe *et al.*, 2021), cost savings through efficient operations, and attracting investments from stakeholders seeking environmentally responsible practices (Bag, 2023). Good research leverages the net zero concept to innovate technologies, develop carbon capture methods (Stern *et al.*, 2021), and advance understanding in environmental sciences, playing a fundamental role in shaping policies and fostering advancements that facilitate the global transition towards a net zero emission society (Ahmed *et al.*, 2022). While net zero is often hailed as a crucial objective by climate experts and activists globally, this ambitious goal encounters scepticism from many major corporations (Hakovirta Marko *et al.*, 2022). Some of the primary concerns voiced by sceptics include the practicality and feasibility of achieving net zero targets (Hale *et al.*, 2021) and target setting is the

easy part, but moving new technologies to the point of mass deployment and maintaining high deployment of existing technologies is incredibly challenging (Vorsatz *et al.*, 2020). Additionally, there are concerns regarding the cost implications and potential disruptions to existing business models during the transition to net zero. The final hypothesis is:

### **H3. Net Zero Literacy Links Significantly to Sustainable Investments**

#### **Net Zero Literacy, Green Finance, Financial Leverage as Mediating Variable**

Green finance instruments play a crucial role in aligning financial markets with sustainability goals and transitioning to a more environmentally responsible (Falcon & Marcello, 2020) and socially inclusive economy (Popescu & Stefania, 2021). They provide investors with opportunities to support projects and initiatives that contribute to a more sustainable future while potentially earning competitive financial returns (Hesary *et al.*, 2020; Gilchrist *et al.*, 2021). Many investors and financial institutions may not fully understand the concept of green finance or the potential benefits of sustainable investments (Cunha *et al.*, 2021). Raising awareness and providing education about the environmental and social impacts of investment choices is crucial (Alshater, Muneer *et al.*, 2021). Green finance markets are often smaller and less liquid than traditional markets (Hesary *et al.*, 2020). The regulatory environment for green finance can be uncertain and subject to change (Avramov *et al.*, 2021). Investors may be concerned about shifts in government policies or regulations that could impact the profitability of green investments (Frimpong *et al.*, 2020). Access to green finance may be limited for smaller businesses or projects, particularly in emerging markets. Bridging this financing gap is essential for achieving broader sustainability goals. The researcher's hypothesis are:

### **H4. Green Finance Has Mediating Effects between Corporate Governance and Sustainable Investment**

### **H5. Green Finance Has Mediating Effects between Net Zero Literacy and Sustainable Investment**

Financial compliance is something related to the way a company must fulfil specific rules, regulations, and laws as well as guidelines referring to areas of finance or accountancy (Bhagat *et al.*, 2019). This does not only refer to the internal policies adopted by the business organisation itself (Tarmuji *et al.*, 2016), but also external regulations set forth by regulatory bodies (Lagasio, 2016; Stafford *et al.*, 2017). Corporate governance refers to the processes utilised by a finance department to manage their information in a compliant manner (Fernandez & Mercedes, 2016). Tracking financial transactions, operations, compliance, and performing data control are all part of corporate governance (Liang *et al.*, 2016; Paniagua *et al.*, 2018) and with strong corporate governance as a foundation, organisations gain resilience to meet strategic goals and build enduring value. The final hypothesis are:

**H6. Corporate Governance Has Mediating Effects between Net Zero Literacy and Sustainable Investment****H7. Corporate Governance Has Mediating Effects between Green Finance and Sustainable Investment**

The advantages of adopting a net zero plan extend beyond environmental benefits. From attracting top talent and investors to reducing operational costs and boosting market competitiveness, businesses, including smaller enterprises, can leverage net zero strategies for sustainable growth (Bag, 2023). As governments and consumers increasingly prioritise environmental consciousness, integrating net zero practices not only aligns with societal expectations but also positions businesses for long-term success in a rapidly evolving market landscape (Soest *et al.*, 2021; Ahmed *et al.*, 2022). Companies dedicated to achieving net zero targets stand to gain access to a wider pool of capital (Vorsatz *et al.*, 2020). This commitment signals a long-term sustainable strategy, making businesses more attractive to investors focused on supporting environmentally responsible initiatives (Regufe *et al.*, 2021). A significant benefit of pursuing net zero is the resultant reduction in energy consumption (Hale *et al.*, 2021). This timely advantage aligns with current market trends and contributes to the bottom line of businesses seeking to optimise operational costs. A good hypothesis would be:

**H8. Net Zero Literacy Has Mediating Effects between Green Finance and Sustainable Investment****H9. Net Zero Literacy Has Mediating Effects between Corporate Governance and Sustainable Investment Green Finance and Corporate Governance**

Governments, investors, businesses, and private individuals worldwide are beginning to take action in response to the climate issue (Hafner *et al.*, 2020), especially on decarbonisation techniques (Hesary *et al.*, 2020). Moving to a low-carbon or green economy would need extraordinary levels of fresh capital investment, notably in the form of green financing (Gilchrist *et al.*, 2021), to support activities and assist firms in adapting to the effects of climate change (Farmuji *et al.*, 2016). That makes it important to understand what is green finance and how it matters (Frimpong *et al.*, 2020) and green finance delivers economic and environmental advantages to everybody (Alshater *et al.*, 2021). It broadens access to environmentally-friendly goods and services for individuals and enterprises, equalizing the transition to a low-carbon society, resulting in more socially inclusive growth (Sachs *et al.*, 2019) that results in a 'great green multiplier' effect in which both the economy and the environment gain, making it a win-win situation for everyone. On the other hand, corporate governance includes how companies track financial transactions, manage performance and control data, compliance, operations, and disclosures (Liang *et al.*, 2016; Bhagat *et al.*, 2019). Corporate governance signals that the company is collecting, calculating and presenting financial data according to regulatory rules (Stafford *et al.*, 2017;

Lagasio *et al.*, 2019) and practices relevant to standardized workflows and completes financial processes faster and with more confidence (Fernandez, 2016; Paniagua *et al.*, 2018). Capital allocation is a critical issue for all organisations, and it's clear that both predictors are playing an increasing role. The final hypothesis is:

**H10. Green Finance Significantly to Corporate Governance****MATERIALS AND METHODS**

The researcher performed quantitative and explanatory. Purposive sampling was used to select the cross-sectional research participants in Metro Manila, Philippines (Kock & Hadaya, 2018). Using the G\*Power version 3.1.9.4, the researcher came up with the sample size of ninety four (94) participants and has the best positioned to describe sustainable investment, green finance, net zero literacy and corporate governance. To the best that the researcher has exhausted, the participants were identified using screening standards, and these are: participants were not involved in a Focus Group (FG) happened on pilot study relevant to uncover reliability test of the research instrument. The researcher performed screening questions which were necessary to avoid bias in the analysis. While output parameters such as noncentrality=11.55; Critical F=2.73; numerator df=3; denominator df=73 and actual power=.8017 describes the degree of difference between the null and alternative hypothesis values, the researcher considered several input parameters in relation to the utilization of G\*power to arrive on the sample. The effect size of 0.15; alpha error of probability is 0.05; power 1-beta error probability is 0.80 and the number of predictors is three (3) was considered. Moreover, the researcher positioned a statistical power level of .80 in which it indicates that the likelihood of making a Type II error is. The statistical power of .80 is generally a good consideration for uncovering a high chance to detecting true effect or the results are unlikely to be distorted by random or so called systematic error (Kock & Hadaya, 2018). Lastly, setting too much power leads to finding statistically significant results with a very little usefulness in business application or in the real world (McQuitty, 2018).

Ethical approval was sought and obtained from the respective companies. Researcher carefully explain the informed consent prior of distribution and sought from the staff participants of this study. The right of participants to decline or to discontinue the participation was strictly emphasized by the researcher and respected throughout the study and data collection. Data and sensitive information has been and will continue to be treated with utmost/absolute confidentiality.

**Profile of the Sample**

Table below shows the demographic profile of the participants in terms of age, sex, professional working experience, and education.

**Table 1:** Sample characteristics of the sample (n=94)

Demographic Profile	Category	N	%
Age	20-29	61	64.89%
	30-39	33	35.11%
Sex	Male	22	23.40%
	Female	72	76.60%
Professional Working Experience	Business Management	34	36.17%
	Consultant	53	56.38%
	Teaching	7	7.45%
Education	College Graduate	85	90.43%
	Master's Degree	9	9.57%

As shown in Table 1, the participants under the category of 20-29 years of age (65.89%) got the biggest number of respondents. Under the variable of sex, (76.60%) of the respondents were dominated by female with a 23.40% were male respondents and predominantly shared by consultants as their professional working experience (56.38%). While the highest education revolves for college and master’s degree, the said category is certainly on college graduate (90.43%).

**Research Instruments**

The researcher of this study developed a structured questionnaire with closed-ended and open-ended questions and a rating scale. These instruments were pre-tested on sixteen (16) initial respondents to ensure their understandability and usability of the test questionnaire. To the best that the researcher exhausted, the sample size was large enough to support the exploratory factor analysis. Personal interviews were used to validate the research instrument’s content validity and appropriateness. Performing pre-testing is needed and beneficial for examining bias and evaluating if intended research instrument is anchored on the standard, resulting in few modifications to the developed items. All items were rated on a seven-point Likert scale ranging from strongly disagree (1) to strongly agree (7) using a 19-item questionnaire. Seven-point Likert scale items in the survey questionnaires have been shown to be more accurate, and provides a better reflection of employee employee’s true evaluation. Also, given all the advantages, in most cases, even when compared to higher-order items, the 7-point items is quite good to be the best solution for questionnaires in terms of usability evaluations (Finstad 2010; Alabi & Jelili, 2022).

**RESULTS AND DISCUSSIONS**

The current study employed a quantitative research design. Additionally, the researcher performed an exploratory approach to quantify the relationships between cash management, rational financial decision making, budgeting techniques, and business performance. The parameters of the mediation model were estimated using partial least squares – structural equation modelling (PLS-SEM) with Smart PLS 4 statistical software. PLS-SEM is considered as a second generation statistics and

a variance-based estimation technique used to uncover and determine the reliability and validity of constructs and estimate the relationships between determined measures (Hair *et al.*, 2019). In PLS-SEM, the path model is specifically evaluated in two phases or stages. The first stage involved evaluation and examination of the measurement model. This stage assessed the independent variables and dependent variable’ reliability test such as convergent validity and discriminant validity. The second stage examined the structural model, which includes analysis the hypothesized structural relationships between variables (Dimaunahan & Amora, 2016). The mean score for all 94 responses was in the range of strongly agree, exceeding 6, as shown in Table 2.

**Reliability and Validity Measurements**

The reliability test such as convergent and discriminant validity tests were analysed to examine the measurement model meeting the standards. Performing assessment of construct reliability enables evaluating a reflective as well as formative item and set of items about the construct, thus it is intended to measure (Hair *et al.*, 2016). Composite reliability (CR<sub>a</sub>) and Cronbach’s alpha (CA) are typically used to determine convergence for the reliability (Hair *et al.*, 2019). To uncover high reliability, the composite reliability (CR<sub>a</sub>) and Cronbach’s alpha (CA) values must be .07 or greater than 0.7 (Nunnally & Bernstein 1994). The variables of rational financial decision making, budgeting techniques, cash management strategies and business performance has successfully met the needed criterion for construct reliability. The researcher examined the acceptable level of convergent validity and to be able to achieve said levels, the p-values for each item should be less than or equal to .05, and the loadings reported in PLS SEM should be greater than or equal to .5. (Hair *et al.*, 2019). Additionally, the correlation between the questionnaire item and a construct is so-called item loading (Hair *et al.*, 2019). In Table 2 below , all indicators along with the item loadings were statistically significant and achieved the thresholds greater than the .5. Moreover, the average variance extracted (AVE) shows quantified variance for each of construct namely sustainable investments, green finance, net zero literacy and corporate governance which derived from the

**Table 2:** Item Loading, AVE, and Reliability of the Constructs/Variables

Item	Variables/Constructs	Mean	SD	Loading	AVE	CR_a	CR_c	CA
<b>Sustainable Investment</b>								
SI1	1. In the aspect of negative/exclusionary screening: excludes specific sectors, companies, or practices from a fund or portfolio based on ESG criteria	6.73	0.74	0.75				
SI3	3. In the context of positive/best-in-class screening: encompasses investments in sectors, companies, or projects selected from a defined universe for positive ESG performance compared to industry peers	6.67	0.76	0.93				
SI5	5. In environmental level: Carbon footprint, waste, water use and conservation, and the clean technology it uses and creates in its supply chain.	6.80	0.66	0.76				
SI6	6. In a social level: Advocates for social good and change, closely examine its involvement and stances on social issues, such as human rights, racial diversity within hiring and inclusion programs, employees' health and safety, and community engagement.	6.63	0.76	0.73				
SI7	7. In a governance level: the company is managed or governed for driving positive change and encompasses reviewing the quality of its management and board, executive compensation and diversity, shareholder rights, overall transparency and disclosure, anti-corruption, and corporate political contributions.	6.80	0.55	0.90				
SI9	9. In the context of activist investing: Buys equity in a company for the purpose of changing how it operates and investment decisions are based on moral values or causes that companies and their leaders care deeply about.	6.73	0.64	0.77				
SI10	10. In the aspect of Impact investing: Targeted investments aimed at solving social or environmental problems where capital is directed to traditionally underserved individuals, communities and financing is provided to businesses with clear social or environmental purposes.	6.70	0.75	0.75	0.514	0.864	0.829	0.756
<b>Green Finance</b>								
GF2	2. As a responsible investor, the ultimate goal is no longer profit alone but should be achieving reasonable investment returns, while respecting the planet's limitations while prioritizing socially valuable outcomes across various aspects sector of the economy.	6.83	0.53	0.85				
GF3	3. Structured financial activity such as loans, debt mechanisms and investments has been created to ensure a better environmental outcome and in a more resilient future.	6.73	0.74	0.75				

GF5	5. In order to consider green finance, chosen investments are within the umbrella of renewable energy, energy efficiency, pollution prevention, control, biodiversity conservation, circular economy initiatives and the sustainable use of natural resources and land.	6.67	0.76	0.90				
GF6	6. Allocation of financial resources in the concept of green finance is a sign of the world economy's accelerating transition away from the fossil fuel era.	6.80	0.66	0.75	0.765	0.936	0.942	0.923
<b>Net Zero Literacy</b>								
NZL2	2. A rapidly growing number of local and national governments along with business leaders are making commitments to reach net-zero emissions within their respective jurisdictions or businesses.	6.63	0.76	0.91				
NZL5	5. Company's CSR activities have anchored on natural approaches like restoring forests or through technologies which scrubs carbon directly from the atmosphere.	6.77	0.57	0.73				
NZL7	7. Businesses and its executive considers human-caused emissions and gathers insights to reduce as close to zero as possible.	6.73	0.64	0.91	0.509	0.890	0.810	0.705
<b>Corporate Governance</b>								
FG1	Comprehensive financial policies and procedures to provide guidelines on managing cash flow, investments, auditing and processes to balance control and efficiency.	6.70	0.75	0.86				
FG3	The organization has strong internal controls by segregating duties and approvals to prevent and detect errors and irregularities.	6.83	0.53	0.79				
FG4	Regular internal and external audits are strategically integrated to identify control gaps, risks and compliance issues.	6.73	0.74	0.89				
FG6	Board of directors holds ultimate responsibility for governance through policies, controls and providing high-level oversight and strategic direction.	6.67	0.76	0.70				
FG8	Financial information are communicated accurately and builds trust with stakeholders.	6.80	0.66	0.78	0.539	0.795	0.852	0.807

*SD = Standard Deviation; AVE = Average Variance Extracted; CR<sub>a</sub> = Composite Reliability rho<sub>a</sub>; CR<sub>c</sub> = Composite Reliability rho<sub>c</sub>; CA = Cronbach's alpha*

items specified and compared to the variance due to measurement error. The researcher examined the each of the latent variable and all has an average variance extracted (AVE) greater than .5, which shows that the recommended value was achieved for acceptable validity (Fornell & Larcker 1981). Additionally, the coefficients of average variance extracted (AVE) were valid. The reliability and validity tests composing of convergent and discriminant validity were analyzed to examine the measurement model. The researcher performed the

assessment of each construct and its reliability which enables evaluating a reflective item and set of items about the construct it is intended to measure (Hair *et al.*, 2019). Apparently, composite reliability (CR) and Cronbach's alpha (CA) were considered first hand to determine the construct reliability both convergent and discriminant validity. To uncover high reliability, the researcher matched the result of composite reliability (CR) and Cronbach's alpha.

**Model Fit and Quality Indices**

Fit Indices	Criteria	Result/Value
TeneNhaus GoF	0.36	0.42
SRMR	<0.08	0.15
d_G	<UL of CI	0.00
NFI	Close to 1	1.42

Tenenhaus goodness of fit (GoF), an index that measures the model’s explanatory power (Tenenhaus *et al.*, 2004), the following thresholds are used: small if equal to or greater

than .1, medium if equal to or greater than .25, and large if equal to or greater than .36 (Wetzels *et al.*, 2009). This measurement index only explains how the survey data fits with the proposed model (Hair *et al.*, 2022; Henseler & Sarstedt, 2023). Overall, the results showed that the structural equation modeling under partial least square approach (using the Smart PLS) estimates were not within the standard and acceptable range. While the p-values of the path coefficients, R-squared, as well as the adjusted R-squared must be equal to or less than .05 for the model to be acceptable, gathered responses failed to meet the criteria of SRMR, d\_G and normed fit index (NFI).

**Table 3:** Summary of Hypothesis Testing (alpha = 0.05)

Hypothesis	PLS Path Coefficients	t-value	p-value	Interpretation
(H1) Green finance links significantly to sustainable investment	-0.005	0.057	0.945	Not Supported
(H2) Financial governance links significantly to sustainable investment	0.195	1.624	0.105	Not Supported
(H3) Net zero literacy links significantly to sustainable investment	0.126	1.301	0.193	Not Supported
(H4) Green finance has mediating effects between corporate governance and sustainable investment	0.266	3.474	0.001	Supported
(H5) Green finance has mediating effects between net zero literacy and sustainable investment	0.361	4.103	0.000	Supported
(H6) Corporate governance has mediating effects between net zero literacy and sustainable investment	0.515	6.907	0.000	Supported
(H7) Financial governance has mediating effects between green finance and sustainable investment	0.116	1.858	0.063	Not Supported
(H8) Net zero literacy has mediating effects between green finance and sustainable investment	0.012	0.312	0.755	Not Supported
(H9) Net zero literacy has mediating effects between financial governance and sustainable investment	0.034	0.575	0.565	Not Supported
(H10) Green finance links significantly to corporate governance	0.449	7.809	0.000	Supported

**Discussion**

The (H4) green finance has a full mediation effects between corporate governance and sustainable investment as well as in the indirect effect (H5) between net zero literacy and sustainable investment. Green finance plays a pivotal role in accelerating various transitions and creates the condition and guarantees a green economy from traditional one (Falcone, 2022; Afzal *et al.*, 2022). The study of Sachs, Woo *et al.* (2019), strongly supported that finance is the engine of development of infrastructure projects and if the economy want to achieve sustainable development goals, the involved participants of a certain community, government needs to open a new file leading to green projects and scaling up the financing, capital allocation on investments that provide such environmental benefits. The study of Dikau *et al.* (2021) reported that in order to safeguard financial stability, incorporating climate related issues and transition risk in policy framework are highly recommended. The study of Aramonte *et al.* (2022) shows direct effect as policy makers, the general public as well has campaigned to market participants the need to

support finance on its transition to low-carbon economy resulting on benefit in the aspects of environmental, social and governance.

On the other hand, the study shows no direct effect from the identified predictors (H1, H2, H3) namely, green finance, net zero literacy, corporate governance connecting to sustainable investments. The study Hafner *et al.* (2020) identified that policy uncertainty, and on cases where investors, companies, or countries focuses on short-term results which is totally detrimental on long-term growth and in the financial system. The study Akomea-Frimpong *et al.* (2021) pertains to a different direction that green finance products and green finance policies influences social inclusion and social justice which are within the scope of sustainability. In the context of net zero literacy, the study of Bag (2023) elaborated that in order to adopt net zero concepts, several considerations such as workforce training, sustainability culture, knowledge management must be executed to achieve substantial influence on social, financial and environmental performance. While the study of Haan *et al.* (2015); Liang

*et al.* (2016) explored corporate governance in the area of predicting performance to avoid failures, indicators with unclear characteristics such as board and ownership structure should be reviewed and revisited.

Also, based on the study, corporate governance has no mediating role between green finance and sustainable investment (H7) which is particularly relevant on the study of Cunha *et al.* (2021) that no intervening variable has been identified to drive sustainable finance and investment except for the sole predictor, financial performance within the context of companies committed in sustainability. The study of Lagasio *et al.* (2019) stated that corporate governance needs a new perspective aside from the usual indicators to enhance practices on environmental, social and governance (ESG), still several hesitations remain.

Net zero does not play a mediating role within green finance and sustainable investments (H8) and net zero literacy shows no mediating effect between corporate governance and sustainable investment (H9). Interesting reports of Hakovirta *et al.* 2022 echoed that mitigating climate change is a good consideration and ideally should be on top of the strategic agenda of a global leading enterprise. Since net zero literacy is anchored on climate decarbonization, climate change solutions, such practices demand unprecedented levels of innovation in technology, policy, finance, and business models must be squeezed in the organization's DNA. A recent study of Popescu *et al.* (2021) identified that non-financials should be a factor on investment concerns thus, ensuring funds are channeled towards priority sectors and net zero concepts in carbon footprints, environmental exposures will show shortcomings as well as failures on capturing real-world sustainability investments.

H6 Corporate governance has achieved a full mediating effect between net zero literacy and sustainable investment. Maximizing related activities on energy efficiency found central to net zero, the study Vorsatz *et al.* (2020) specified that some sectors are significantly responsible on reaching climate neutrality and simultaneously meet the needed cost in a conventional perspective. Practices relevant to corporate governance ensure financial accountability and the study of Stafford *et al.* (2017) explained further that governance based reporting has its specific approaches such as financial reporting, structure and scrutiny.

H10 Green finance links significantly in corporate governance and according to David *et al.* (2021) that activities pertaining to rapid development of green finance, corporate engagement and in environmentally responsible practices enhance share value. Several studies have supported the findings that long-term investors must find relevance given their strong understanding and interest in long-term corporate performance (Bhagat *et al.*, 2019).

### Key Drivers of Sustainable Investments

To enhance the context of sustainable investments, the researcher asked open questions to examine the response

variable. Apparently, the clustering of the responses is based on the interpretation of CFA Institute (2015) research on ESG issues in investing. Findings uncovered that four (4) critical attributes that may contribute to sustainable investments. First, despite these challenges, consideration of ESG factors is becoming common. Evidence points to a growing awareness of ESG issues in investing. The researcher identified that only 13% of participants claimed that they do not consider ESG issues and 77% consider at least environmental, social, or governance issues, or combinations in venture and investment decisions. Second, participants were asked "Why consider ESG issues?" and 82% leads on the idea that "It helps identify investment opportunities", 11% agreed that "Regulation requires it" while 7% believes that "ESG performance is a proxy for management quality". Moreover, on a third critical attribute, Reasons for Not Considering? "Lack of information/data" achieved 67%, while 19% are within "Insufficient knowledge of how to consider these issues" while 14% claimed that "Market practices require me to focus on short-term performance". Lastly, the fourth critical attribute pertains on "What, if anything, would cause you to begin considering ESG issues in your investment analysis/decisions?" and 89% reflects on Regulatory/legal requirements to consider ESG issues and the remaining 11% are within the concept of "Better information on ESG risks/opportunities"

### CONCLUSION

The field of sustainable investments still needs a thorough attention and people engaged on allocating capital will totally add value on reaping the benefits of green finance, net zero literacy and the existence of practices relevant to corporate governance. In the perspective of business partners in the Philippines, net zero literacy and corporate governance has indirect effects with sustainable investments through green finance. Emerging practices might lead that green finance come with higher upfront costs or interest rates compared to several traditional financing options. Public has invested resources on building awareness on this promising factor and opportunity lies on lowering the cost of capital for green projects thus, leading and encourage for more sustainable investments. In order for net zero literacy to become effective with sustainable investment, the presence of corporate governance must factor in. While studies have shown that companies with good performance on its environmental, social and governance factors, better corporate governance is needed to advantage of long-term sustainability. There is a need to improve the current integration of ESG factors, not only in investing but also in the process that will bring benefits to society. This will effectively follow the management of risks and create opportunities for the next line of investors. Lastly, it is evident that green finance is still relevant to corporate governance, and with the objective of investing based on the values and trends, an increasing number of

investors is expected to focus more on sustainability. This will instill across the area of finance that investing sustainably doesn't mean to forfeit financial returns hence it promotes the existence of idea behind purpose-driven, regardless as a firm or individual investor that contributes to social and environmental landscapes.

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