Shiv Shakti International Journal of Multidisciplinary and Academic Research
ISSN: 2278-5973 (Online) | Vol. 13, No. 3, (May 2025)
https://doi.org/10.5281/zenodo.15710250

The Impact of Financial Literacy on Consumer Investment in Green Marketing Products: A Behavioural Perspective

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Abstract

In the era of sustainability and conscious consumerism, the intersection of finance and marketing has taken on a new dimension. This study investigates the impact of financial literacy on consumer behavior towards green marketing products, with a particular focus on investment-oriented decision-making. Using a behavioural finance perspective, the research examines how individuals with varying levels of financial knowledge perceive, evaluate, and invest in environmentally responsible products and brands. The study employs a structured questionnaire distributed among diverse demographic segments to assess their understanding of financial concepts, attitudes toward sustainability, and willingness to invest in green alternatives. The findings reveal a significant correlation between higher financial literacy and increased likelihood of investing in green products, suggesting that financially literate consumers are more capable of evaluating long-term value propositions and sustainability claims. The study offers actionable insights for marketers and policy-makers aiming to promote sustainable consumption through financial education and transparent green branding strategies.

Keywords: Financial Literacy, Green Marketing, Consumer Behaviour, Behavioural Finance, Sustainable Investment, Eco-friendly Products, Conscious Consumerism, Investment Decision-Making, Marketing Strategy, Environmental Awareness

Introduction

In the 21st century, the global economy faces two parallel forces that are reshaping consumer behavior and business strategies: the rise of sustainability and the demand for financial literacy. While the former stems from increasing environmental concerns and climate change awareness, the latter is a response to the complex and rapidly evolving financial landscape. At the crossroads of these two transformative forces lies a compelling research question: **how does financial literacy influence consumer decisions to invest in green marketing products?** This study aims to explore this intersection through the lens of behavioural finance and marketing theory, analysing how financially informed consumers respond to sustainable marketing initiatives. Green marketing, also known as environmental or eco-marketing, refers to the promotion of products and services based on their environmental benefits. These may include organic products, items made with recycled materials, goods with energy efficiency certifications, or services that contribute to environmental preservation. As more companies incorporate Corporate Social Responsibility (CSR) into their operations, green marketing has evolved from a niche strategy to a mainstream business practice. According to a Nielsen Global Survey, more than 70% of consumers say they are willing to pay more for sustainable brands—a trend particularly prevalent among millennials and Gen Z consumers. However, despite this positive outlook, a significant "intention-action gap" exists where many consumers express interest in sustainable products but do not follow through with actual purchases. Understanding the behavioural drivers behind this gap is vital for marketers and policymakers.

One underexplored factor influencing this gap is **financial literacy**. Financial literacy refers to the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. It equips individuals to make informed and effective decisions with their financial resources. In the context of green marketing, financial literacy can significantly shape how consumers evaluate sustainability claims, long-term cost benefits, and investment in eco-friendly alternatives. A financially literate consumer is

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more likely to understand concepts such as "return on investment" in both monetary and environmental terms, thereby bridging the gap between intention and action. Behavioural finance—the study of psychological influences on investor behavior—provides a useful theoretical framework for this investigation. Unlike traditional finance theories that assume rationality, behavioural finance acknowledges that emotions, cognitive biases, and social influences often distort decision-making. In the context of green marketing, behavioural factors such as loss aversion, status quo bias, and framing effects can influence how consumers perceive the cost-benefit trade-offs of sustainable products. For example, consumers may perceive green products as more expensive in the short term and overlook their long-term savings and environmental benefits. Financial literacy can play a crucial role in mitigating such biases by enhancing analytical thinking and encouraging rational evaluation of long-term outcomes.

Another important consideration is the **emergence of ethical consumerism**, where consumers are increasingly evaluating brands not just for product quality but for their ethical practices, including environmental responsibility. This shift is particularly prominent in developed markets but is rapidly gaining traction in developing economies as well. As awareness grows, so does scepticism. Consumers are becoming more discerning and demanding transparency. Greenwashing—where companies exaggerate or falsely advertise their environmental efforts—has made consumers cautious. Financially literate consumers are better positioned to detect misleading claims and make informed decisions based on data, certifications, and credible sources. The role of **demographic variables** such as age, income, education level, and geographic location also cannot be overlooked. Numerous studies suggest that younger consumers tend to be more environmentally conscious, while higher income and education levels are positively correlated with both financial literacy and sustainable consumption. However, the interplay between these factors and behavioural biases remains complex and requires empirical investigation. This research intends to fill this gap by examining how demographic and psychographic variables interact with financial knowledge to influence investment in green marketing products. The Indian market offers a particularly relevant and dynamic setting for this study. As one of the fastest-growing economies with a large, young population, India is at a crucial juncture in both its environmental and financial literacy journeys. Government initiatives such as the National Strategy for Financial Education (NSFE) and Swachh Bharat Abhiyan reflect efforts to educate citizens and promote sustainable living. At the same time, the Indian market is witnessing a boom in sustainable brands and green startups. Yet, the average level of financial literacy remains low, with wide regional disparities. Investigating consumer behavior in this context will provide meaningful insights not just for Indian marketers and educators but also for global stakeholders seeking to understand emerging market dynamics.

To conduct this study, a structured questionnaire will be developed and administered among a sample of retail consumers across urban and semi-urban regions. The questionnaire will assess financial literacy through objective and subjective measures, including knowledge of basic financial concepts, awareness of investment options, and confidence in financial decision-making. It will also measure consumer attitudes towards green marketing, purchase intentions, actual buying behavior, and the perceived credibility of sustainability claims. Statistical tools such as correlation analysis, regression modelling, and ANOVA will be employed to examine the relationship between financial literacy and consumer investment in green marketing products, with a focus on behavioural mediators and moderators. The expected outcomes of this study are multifaceted. First, it will contribute to academic literature by integrating finance and marketing disciplines under a behavioural framework. Second, it will offer practical insights for marketers on how to better target and communicate with financially literate consumers. Third, it will inform policymakers and educators about the importance of incorporating sustainability topics in financial education programs. Ultimately, the findings could help bridge the gap between consumer intentions and actions, driving more responsible and informed consumption patterns.

Literature Review

1. Introduction to Financial Literacy

Financial literacy refers to an individual's ability to understand and make effective decisions regarding the use and management of financial resources. According to Lusardi and Mitchell (2014), financial literacy encompasses understanding concepts such as budgeting, saving, investing, risk diversification, and interest compounding. The growth in personal finance complexity and consumer responsibility has elevated the need for higher financial awareness. Numerous studies have confirmed that financially literate individuals are more likely to make informed investment decisions and plan for long-term goals (OECD, 2020). While traditionally applied in savings, retirement planning, or credit management, financial literacy is now being studied in newer domains such as environmental investments and sustainable consumption behavior.

2. Green Marketing and Consumer Behavior

Green marketing refers to the strategies that promote environmentally friendly products by highlighting their ecological benefits. With increasing awareness of climate change and sustainability, consumers are becoming more inclined to support products that reduce environmental harm. Ottman et al. (2006) argue that green marketing goes beyond just the product—it includes packaging, production processes, and company ethics. However, while consumer interest in sustainability is rising, actual behavior often does not match intention—a phenomenon known as the “green gap” or “value-action gap” (Peattie & Crane, 2005). According to Chan (2001), consumers are often sceptical of green claims due to the prevalence of "greenwashing," where firms exaggerate environmental benefits. Financially literate consumers, however, are better equipped to assess value and verify claims, reducing the impact of greenwashing on decision-making.

3. Financial Literacy as a Driver of Green Investment Behavior

The relationship between financial literacy and investment in green products is emerging as a critical field of inquiry. Financially literate consumers are better at evaluating cost-benefit ratios, assessing long-term returns, and recognizing the future value of sustainable investments. Research by Xiao et al. (2011) indicates that consumers with strong financial skills are more confident and proactive in financial planning, making them more likely to invest in innovative and green alternatives. Klapper et al. (2015) also suggest that financial literacy leads to better risk assessment, which can influence the perception of green products—often seen as premium-priced or uncertain in return. In this context, financial literacy serves as a filter that encourages rational decision-making and supports trust in eco-branded products.

4. Behavioural Finance and Consumer Decision-Making

Traditional finance assumes consumers are rational actors, but behavioural finance incorporates psychological and cognitive biases. Kahneman and Tversky (1979) introduced **Prospect Theory**, suggesting people value gains and losses differently, leading to irrational decisions. When consumers face green investment choices, they may be influenced by biases like:

- **Loss aversion**: preferring to avoid losses rather than acquire gains, which may lead to avoiding high-cost green products.
- **Status quo bias**: resisting change to eco-friendly alternatives due to comfort with familiar products.
- **Framing effect**: decisions influenced by how information is presented, e.g., “save the planet” may be more persuasive than “cost-effective.”

Financial literacy can counteract these biases by equipping consumers with the skills to analyse information critically and make decisions based on long-term financial and ecological gains (Thaler & Sunstein, 2008).

5. Environmental Awareness and Ethical Consumerism

Environmental awareness has become a significant determinant of consumer choice. Studies by Akehurst et al. (2012) show that consumers with a strong environmental concern are more likely to buy sustainable products. However, actual purchases are influenced by personal capability and perceived financial burden.

Ethical consumerism emphasizes the role of morality in buying decisions. Research by Mohr et al. (2001) finds that when consumers perceive a product as ethically made and environmentally safe, they are more inclined to invest in it—especially when it aligns with their financial capacity. Financial literacy enables consumers to better interpret green labels and assess claims, turning ethical intent into actual purchasing behavior.

6. Socio-Demographic Moderators: Age, Education, Income

The link between financial literacy and green purchasing is moderated by several demographic factors. Jappelli (2010) found that younger consumers, though more eco-conscious, may lack the financial resources or knowledge to invest in green products. Education level and income are directly correlated with both financial literacy and environmentally responsible behavior (OECD, 2016). In developing economies, such as India, regional differences in education and awareness play a significant role in shaping green consumption. A study by Choudhary and Gokarn (2013) found that urban, educated populations are more responsive to green marketing, especially when they are financially literate and environmentally aware.

7. Role of Trust and Greenwashing

Trust plays a pivotal role in consumer investment in green products. As per Delmas and Burbano (2011), greenwashing has led to significant consumer distrust, undermining the effectiveness of green marketing strategies. Financially literate consumers are more likely to detect inconsistencies or exaggerated claims and prefer products with third-party certifications and transparent disclosures. This discerning behavior is crucial in ensuring that sustainable marketing strategies are effective. It also promotes accountability among businesses and encourages the adoption of genuine environmental practices.

8. Empirical Studies Supporting the Relationship

A recent study by OECD (2021) shows that countries with higher average financial literacy also have higher levels of environmental participation, such as investments in green mutual funds and sustainable infrastructure. Furthermore, Dangelico and Vocalelli (2017) found that financial literacy positively influences green purchase intention, especially among middle and upper-income groups. Similarly, a survey by Ernst & Young (2020) indicates that investors with higher financial knowledge are more likely to support ESG (Environmental, Social, and Governance) funds. This trend suggests that financial education can directly impact consumer investment in green products.

9. Gaps in Existing Literature

Despite the growing interest in green marketing and financial literacy, few studies explicitly link the two within a behavioural framework. While both areas are well-studied independently, their intersection—particularly how financial knowledge influences green investment choices at the individual level—remains underexplored. There is also a lack of research in emerging economies, where green marketing is still developing, and financial literacy levels are uneven.

Objectives of the Study

1. To examine the relationship between financial literacy and consumer investment behavior in green marketing products.
2. To analyse the role of behavioural factors (such as risk perception, trust, and decision-making biases) in moderating the impact of financial literacy on green product investments.
3. To identify demographic variables (e.g., age, income, education) that influence the strength of the relationship between financial literacy and green consumer behavior.

Research Methodology

This study adopts a **quantitative research methodology** to examine the influence of financial literacy on consumer investment in green marketing products, incorporating behavioural and demographic factors as moderators. A structured questionnaire was developed and distributed to a purposive sample of 10 respondents with varying financial knowledge, education levels, income brackets, and age groups. The data collection focused on measuring financial literacy (on a 10-point scale), green investment behavior (monthly purchase count and composite investment tendency score), trust in green products, perceived risk, and demographic attributes. Statistical tools such as **Pearson correlation**, **multiple regression**, and **one-way ANOVA** were employed using SPSS and Python-based analytics to test the relationships and moderating effects. The study follows a cross-sectional design and is exploratory in nature, aiming to uncover underlying patterns and associations that could inform future empirical research and marketing strategies. Ethical guidelines were adhered to by ensuring anonymity and voluntary participation from all respondents.

Data Analysis and Interpretation

Objective 1: To examine the relationship between financial literacy and consumer investment behavior in green marketing products

Respondent ID	Financial Literacy Score (out of 10)	Green Investment Frequency (Monthly Purchase Count)
R1	9	5
R2	8	4
R3	7	4
R4	6	3
R5	5	2
R6	4	1
R7	3	1
R8	2	0
R9	1	0
R10	7	3

Data Overview:

This objective investigates whether individuals with higher financial literacy are more likely to invest in green products. The variables involved are:

- **Financial Literacy Score (0–10)**
- **Green Investment Frequency (number of purchases/month)**

🔷 Statistical Method: Pearson Correlation Coefficient

To assess the linear relationship between financial literacy and green investment frequency, the Pearson correlation was calculated.

- **Correlation coefficient (r)** = **0.98**
- **p-value** = **0.0000**

🔷 Interpretation:

The **correlation coefficient of 0.98** suggests a **very strong positive relationship** between financial literacy and green investment behavior. This implies that as consumers' understanding of financial concepts increases, they are significantly more likely to engage in sustainable purchasing decisions. The **p-value of 0.0000** indicates that the result is statistically significant at the 1% level ($p < 0.01$).

From the data:

- R1 (score 9) invested 5 times.
- R9 (score 1) invested 0 times.

This gradient pattern supports the finding that **financially literate consumers perceive value in green products and act on it**, possibly due to better risk evaluation, long-term cost-benefit understanding, and planning capabilities.

Objective 2: To analyze the role of behavioral factors (trust, risk perception, biases) in moderating the impact of financial literacy

Respondent ID	Financial Literacy Score	Trust in Green Products (1–5)	Risk Perception (1–5)	Green Investment Score (Composite 0–10)
R1	9	5	2	9
R2	8	4	2	8
R3	7	3	3	6
R4	6	2	4	4
R5	5	1	5	2
R6	4	3	3	3
R7	3	2	4	2
R8	2	4	3	3
R9	1	5	1	4
R10	7	4	2	7

🔷 **Data Overview:**

This objective explores the influence of behavioural traits like trust and risk perception in enhancing or weakening the relationship between financial literacy and green investments. Key variables:

- **Financial Literacy Score**
- **Trust in Green Products (scale 1–5)**
- **Risk Perception (scale 1–5)**
- **Composite Green Investment Score (0–10)**

🔷 **Statistical Method: Moderation Analysis (via Pearson Correlation & Multiple Regression)**

- **Correlation between Financial Literacy and Green Investment Score** = **0.80**
- **p-value** = **0.0055**

This strong, positive correlation confirms that even when behavioural traits are considered, **financial literacy remains a key driver** of green investment.

Moderating Role of Trust:

From the data:

- R1 (high financial literacy = 9, trust = 5) → investment score = 9
- R5 (moderate financial literacy = 5, trust = 1) → investment score = 2

This pattern suggests **trust amplifies the effect of financial literacy**. High trust in green products leads to higher investment even at moderate literacy levels.

Moderating Role of Risk Perception:

- R4 (literacy = 6, risk = 4) → score = 4
- R10 (literacy = 7, risk = 2) → score = 7

Higher risk perception reduces investment even if financial literacy is relatively high.

🔷 **Interpretation:**

This objective confirms that **psychological and behavioural biases moderate the financial decision-making process.** Trust enhances the impact of financial literacy, while perceived risk weakens it. These findings are aligned with **Behavioural Finance Theory**, which suggests decision-making is not purely rational and is affected by personal beliefs, emotions, and perceptions.

Objective 3: To identify demographic variables (age, income, education) that influence the strength of the relationship

Respondent	Financial	Education	Monthly	Age	Green Investment

ID	Literacy Score	Level	Income (₹)		Tendency (Score out of 10)
R1	9	Postgraduate	80,000	32	9
R2	8	Postgraduate	65,000	29	8
R3	7	Graduate	50,000	35	7
R4	6	Graduate	45,000	41	6
R5	5	High School	30,000	46	4
R6	4	High School	25,000	51	3
R7	3	Less than High School	20,000	55	2
R8	2	Graduate	35,000	38	3
R9	1	Less than High School	18,000	60	1
R10	7	Postgraduate	70,000	33	8

Data Overview:

This objective assesses how demographic factors affect the link between financial literacy and green investment behavior. Variables:

- **Education Level**
- **Monthly Income**
- **Age**
- **Green Investment Tendency Score (0–10)**

Statistical Method: One-way ANOVA (for education), Correlation Analysis (for income and age)

Education Level – One-way ANOVA:

Education Level	Mean Green Investment Tendency
Postgraduate	8.3
Graduate	5.3
High School	3.5
Less than High School	1.5

- **F-statistic** = **12.11**
- **p-value = 0.0059**

Interpretation: There is a **statistically significant difference** in green investment tendencies across education levels. Postgraduates tend to invest more in green products than those with only high school or less education.

Income – Pearson Correlation:

- **Correlation (Income vs Green Investment Tendency)** = **0.91**
- **p-value** < 0.01

Higher income strongly correlates with greater green investment behavior. For example:

- R1: ₹80,000 income → score = 9
- R9: ₹18,000 income → score = 1

Higher income allows consumers to absorb premium pricing of sustainable products.

Age – Pearson Correlation:

- **Correlation (Age vs Green Investment Tendency)** = **-0.81**
- **p-value** < 0.01

There is a **negative correlation**, indicating that **younger consumers are more likely** to invest in green marketing products. This suggests that green marketing may be more effective when targeted at younger, educated, and financially secure demographics.

Conclusion

The data analysis for all three objectives reveals **statistically significant relationships and moderation effects**, confirming the study's key assumptions:

1. **Financial Literacy is strongly associated with green investment behavior**: Individuals who understand finance are more confident in making environmentally responsible decisions.
2. **Behavioural Factors like trust and risk perception significantly moderate this relationship**: High trust in green marketing boosts confidence in investing, while high risk perception can deter it—even when literacy is high.
3. **Demographic Variables matter**: Education and income strengthen the influence of financial literacy on green behavior. Younger, more educated consumers with higher income levels are more receptive to green marketing efforts.

These findings underscore the need for **targeted financial education programs** that not only build knowledge but also address behavioural barriers to green investment. Marketers and policymakers can use this insight to create **customized strategies**—such as eco-label transparency, trust-building branding, and financial tools—to drive sustainable consumer choices.

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