Perception and Identification of the General Public with Sustainable Finance Issues

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Abstract

The perception and identification of the general public regarding sustainable finance issues have become a crucial consideration in implementing sustainable financial policies. Sustainable finance addresses contemporary global financial challenges by harmonising economic, social, and environmental (ESG) interests. This paper reviews various perspectives on sustainable finance, focusing on its importance for the general public. The paper aims to examine the perceptions and identification of the general public regarding sustainable finance issues. The empirical investigation is based on the questionnaire survey and its statistical evaluation. The research results indicate that the significance of carbon footprint as a metric for gauging environmental sustainability is relatively moderate by the general public. The respondents indicated the following financial products as the most environmentally unfriendly: debit cards, electronic banking on PC, and investment funds. As financial products with the lowest emissions and environmental impact, the respondents stated: smart-banking apps in the mobile phone, current accounts, and banking identity. At the same time, the general public is not very familiar with specified concepts related to sustainable finance (open banking, impact investing), and the differences between generations are insignificant. The paper uses a questionnaire survey on the Google Forms platform. The questionnaire included multiple-choice questions, Likert scale items, and participant demographic data.

Key Words

corporate social responsibility, ESG factors, green finance, impact investing, open banking

JEL Classification: G29, Q56, Q01

Introduction

Traditional finance is centred on financial return and risk trade-off in the financial sector, while sustainable finance integrates environmental, social, and governance (ESG) considerations in financial decision-making processes. It includes several strategies and financial instruments, such as green bonds, screening, impact investing, socially responsible investing, etc. (Archer, 2019). Other terms used instead of sustainable finance are sustainable financing, environmental finance or green financing. Migliorelli (2021) suggests that sustainable finance should now be more appropriately recognised as “finance for sustainability,” serving as a synonymous term. It should be acknowledged as an independent and essential element in pursuing a sustainable society, aligning specifically with the Sustainable Development Goals (SDGs) and the Paris Agreement.

According to Kirschenmann (2022), sustainable finance promotes better economic growth and development by channelling private investments towards projects supporting the transition to a climate-neutral economy. The field of sustainable finance has seen a significant increase in research publications over the years (Luo et al., 2022). Still, is a sustainable topic also an issue for the general public? Public perception and

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support are crucial for successfully implementing sustainable finance initiatives. Various studies highlight the importance of public engagement in sustainable finance, such as public perceptions of innovative financing for infrastructure and analysis of sustainable finance disclosure at commercial banks. The limited literature on sustainable finance from the Czech Republic highlights a research gap in this particular area, indicating a scarcity of research and scholarly publications.

This article aims to examine the perceptions and identification of the general public regarding sustainable finance issues. It seeks understanding how the general public views and engages with sustainable finance practices and initiatives. Historically, the primary motive of all company's activities used to be financial, where the ESG information was only for better valuation and investment decisions. Under the sustainability motive, we may recognise primary and secondary motives. The primary reason for using ESG information became to generate an effect/impact through sustainable and responsible investing practices, e. g. health improvement, sustainable land use, poverty reduction and social preference. To earn at least market conform returns with sustainable and responsible investing solutions where risk and return are balanced became the secondary motive.

1. Methods of Research

This paper uses a questionnaire survey to provide insights into how individuals understand and engage with sustainable finance practices. The questionnaire was designed based on relevant literature and research objectives to assess awareness, knowledge, attitudes, and behaviours related to various sustainable finance terms and issues. For the development of the questionnaire, the Google Forms platform was used. The questionnaire included multiple-choice questions, Likert scale items, and participant demographic data. Some terms referred to sustainable finance were continuously explained for the possibility of continuing with the questionnaire.

Using an online questionnaire via Google Forms offers several advantages, such as increased accessibility, participant anonymity, and efficient data collection and analysis. However, considering potential limitations, including sample representativeness or response bias, is crucial. For the questionnaire distribution, various methods were used to reach the general public. These methods included sharing the survey link with diverse communities by email invitations and social networks. Participants were provided clear instructions and informed consent before the survey. The survey was anonymous. A questionnaire contained two basic types of questions, depending on the research objectives and the information needed: multiple-choice questions and Likert scale questions. Answers were obtained from 138 respondents, and all questionnaires were properly filled in.

The data collected through the survey were analysed using statistical methods, such as descriptive statistics. The general public was divided into social generations according to sociological criteria. Social generations are typically categorised based on a combination of significant social events and changes in social conditions that create a distinct generational social climate (Voľanská et al., 2019).

Sustainable development refers to social development that meets the present generation's needs without compromising the ability to meet future generations' needs

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(Das & Chatterjee, 2017), so it is essential to focus on the perception of sustainable finance from this perspective. Chaney et al. (2017), just like other sources, divide generations into Generation Alpha (born after 2012), Generation Z (born between 1997 – 2012), Generation Y (1981 – 1996), Generation X (1965 – 1980) and Baby Boomers and Silent Generation (born before 1965). This approach is used in this article.

Through the questionnaire survey, the study aims to provide valuable insights into the general public's level of understanding, support, and involvement in sustainable finance. This can inform policymakers, financial institutions, and other stakeholders in promoting sustainable finance practices and initiatives.

Based on the literature and empirical studies, the following research questions were formulated for this study:

RQ1: To what extent is sustainable finance important for the general public?

RQ2: To what extent is the general public familiar with sustainable finance issues?

Table 1 shows the demographic specification of the respondents.

Tab. 1: Demographic specification of the respondents. N = 138.

		Total	
		N	**%**
Gender	Female	80	*57.97*
	Male	58	*42.03*
Generation (years of birth)	Generation Alpha (born after 2012)	0	*0.00*
	Generation Z (1997 – 2012)	103	*74.64*
	Generation Y (1981 – 1996),	15	*10.87*
	Generation X (1965 – 1980)	18	*13.04*
	Baby Boomers and Silent Generation (born before 1965)	0	*0.00*
Country of origin	Czech Republic	101	*73.19*
	Other countries	37	*26.81*
	(Portugal	22	*15.94)*
	(India	11	*7.97)*
	(Poland	1	*0.72)*
	(Brazil	1	*0.72)*
	(Nigeria	1	*0.72)*
	(Lithuania	1	*0.72)*

Source: authors' research

In the research sample, the more frequently represented gender was female (57.97% of respondents), born between 1997 and 2012 (Generation Z; 74.64% of respondents), from the Czech Republic (73.19% of respondents). As other countries were represented only by a few respondents, all responses other than Czech were merged into the group Other countries).

2. Literature Review

The literature on sustainable finance encompasses various research areas, including sustainable corporate finance, theories of sustainable finance, green finance and sustainability disclosure, the role of banks in sustainable development, green financing for sustainable development, and the European Union's approach to sustainable finance.

Claringbould et al. (2019) discuss sustainable finance from a theoretical perspective and examine the European Union's approach to increasing sustainable investments and growth. The authors provide an overview of the most important work the EU currently does: developing a classification system for environmentally sustainable economic activities, the EU Emissions Trading System and providing financial support to projects that align with sustainability objectives. They emphasise the importance of sustainable finance in achieving policy goals.

Klein and Wilkens (2020) discussed the shifting paradigm from traditional to sustainable finance. The authors argue that sustainable finance has become a mainstream concept, and its importance is acknowledged globally. They highlight its impact on the real economy, the role of financial regulations, and the need for sustainable practices within the banking sector and broader financial system.

Ozili (2022) notes the growth of sustainable finance literature within the broader finance field, reflecting the increasing attention and importance of sustainable finance as a research topic. The article proposes six theories of sustainable finance: the priority theory, the resource theory, the peer emulation theory, the life span theory, the positive signalling theory, and the system disruption theory. These theories provide practical explanations for the actions and behaviour of economic agents in relation to sustainable finance.

Liu and Wu (2023) conducted a systematic literature review in which they provided an important review of the current state of green finance, sustainability disclosure, and their impact on financial performance, capital markets, and economic development. They demonstrated significant growth in sustainability reporting globally but raised concerns regarding consistency, comparability, and assurance. Despite some challenges, the authors noted that the literature generally supports the positive association between a firm's green practices and financial performance and the negative correlation with the cost of capital.

Jovanovič and Jovanović (2023) point out that the concept has progressed from Corporate Social Responsibility (CSR) to ESG Reporting, encompassing environmental, social, and governance factors. This evolution aligns with the current emphasis on green transition. This shift has been reflected in corporate practices and legal frameworks at the European and national levels. As a result, ESG and Green Transition guidelines have become integral to the responsibilities and obligations of management and supervisory bodies within companies.

There is no extensive literature on sustainable finance from the Czech Republic. Several articles have examined sustainability-related issues within the country, including the corporate perception of sustainability (Petera et al., 2016) or environmental data facilities and services (Soukopová et al., 2015). However, these references do not directly focus on the in-depth exploration of sustainable finance practices or the specific challenges and developments in the Czech Republic. The limited literature on sustainable finance from the Czech Republic suggests a gap in research and scholarly publications in this particular area.

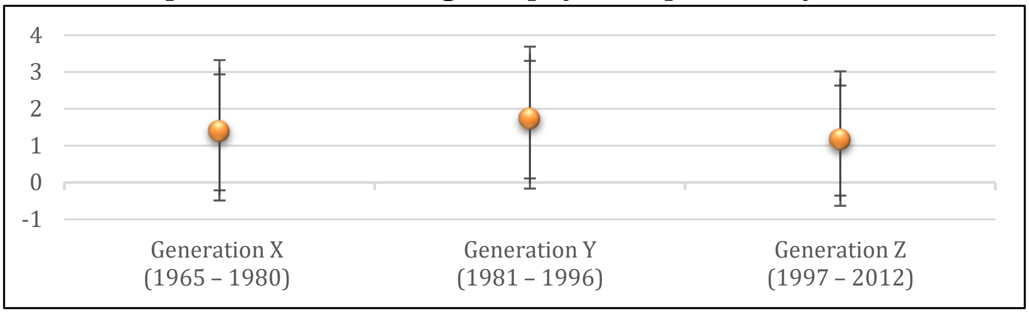
Collectively, all studies support the thesis that sustainable finance has emerged as a significant aspect of finance worldwide.

3. Research Results

Research question RQ1 aimed to capture the extent of the importance of sustainable finance issues for the general public. Three questionnaire questions were dedicated to respondents' relationship to sustainable banking and financial products. The answers to those questions are evaluated from the perspective of the most numerous generations (Figures 1, 2 and 3). The respondents rated the importance of the specific problem in question on a scale from 0 = factor is not important to 4 = factor is very important.

The structure of responses to the question "*Are you interested in the carbon footprint of the banking and payment products you use?*" is illustrated in Figure 1.

Fig. 1: Survey responses to the question: "Are you interested in the carbon footprint of the banking and payment products you use?"

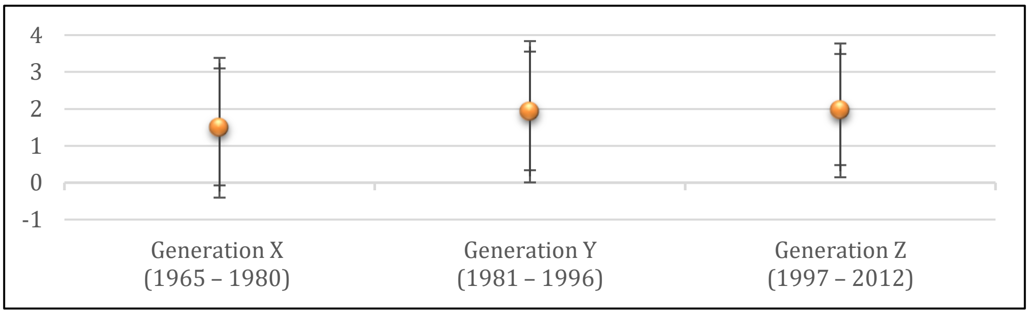


Note: *Responses on Likert Scale 0 – 4 (0 = not at all/definitely no, 4 = definitely yes).*

Source: authors' calculations

Figure 2 presents the structure of answers to the question "*Would you be willing to change your banking house if you believed it would benefit environmental sustainability*?".

Fig. 2: Survey responses to the question: "Would you be willing to change your banking house if you believed it would benefit environmental sustainability?"

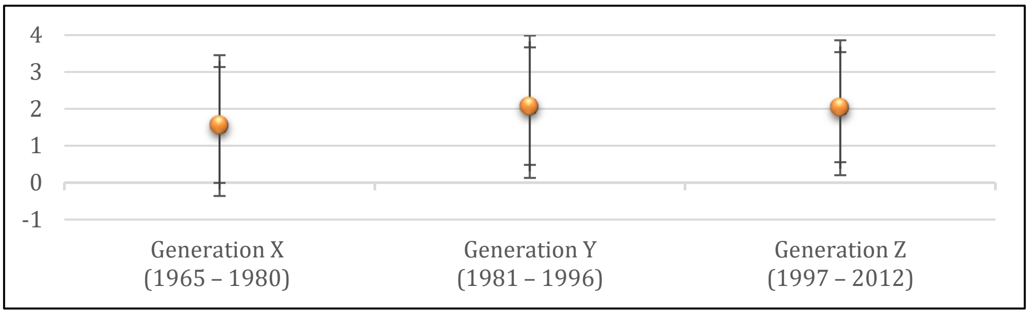


Note: *Responses on Likert Scale 0 – 4 (0 = not at all/definitely no, 4 = definitely yes).*

Source: authors' calculations

The structure of responses to the question "*Would you be interested in information on the carbon footprint of each of your financial transactions directly in your electronic or smart banking?*" is provided in Figure 3.

Fig. 3: Survey responses to the question: "Would you be interested in information on the carbon footprint of each of your financial transactions directly in your electronic or smart banking?"



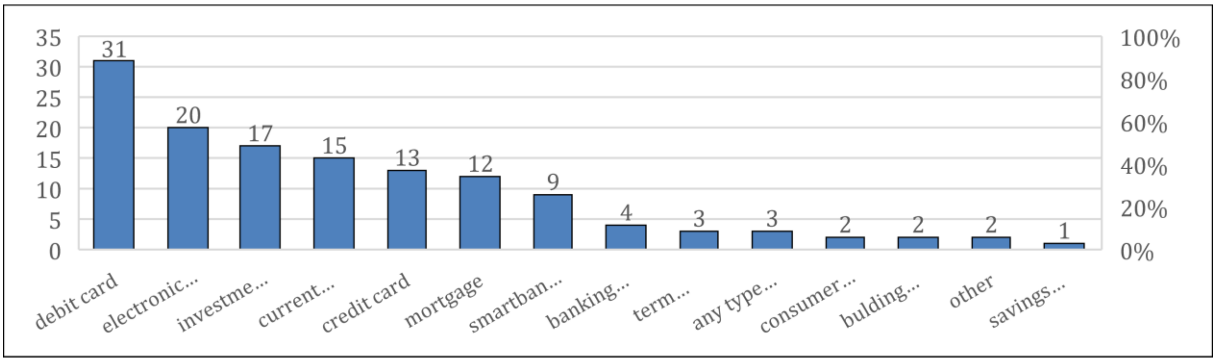
Note: *Responses on Likert Scale 0 – 4 (0 = not at all/definitely no, 4 = definitely yes).*

Source: authors' calculations

The research results show that the importance of carbon footprint as a measure of environmental sustainability is mild. The results barely cross the middle value of significance in all questions. The differences between generations are not very distinct. In general, generation X is the least inclined to a possible change of their banking houses in favour of a carbon footprint decrease. At the same time, it is the least interested in the carbon footprint information of each financial transaction. Surprisingly, generation Z is the least interested in the carbon footprint of their banking and payment products. It is probably because they don't yet use many financial products, or the connection between banking or payment products and carbon footprint is unclear and unrealistic for them.

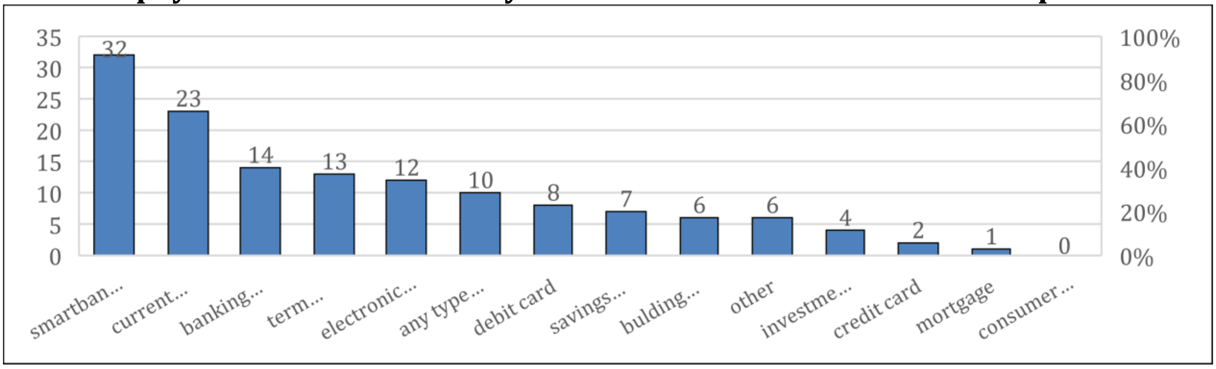
Figures 4 and 5 present the ranking of banking products and payment instruments respondents consider having the highest and the lowest carbon footprint. Respondents could choose only one of the options.

Fig. 4: Survey responses to the question: "Which of the listed banking products and payment instruments do you think has the highest carbon footprint?"



Source: authors' calculations

Fig. 5: Survey responses to the question: "Which of the listed banking products and payment instruments do you think has the lowest carbon footprint?"



Source: authors' calculations

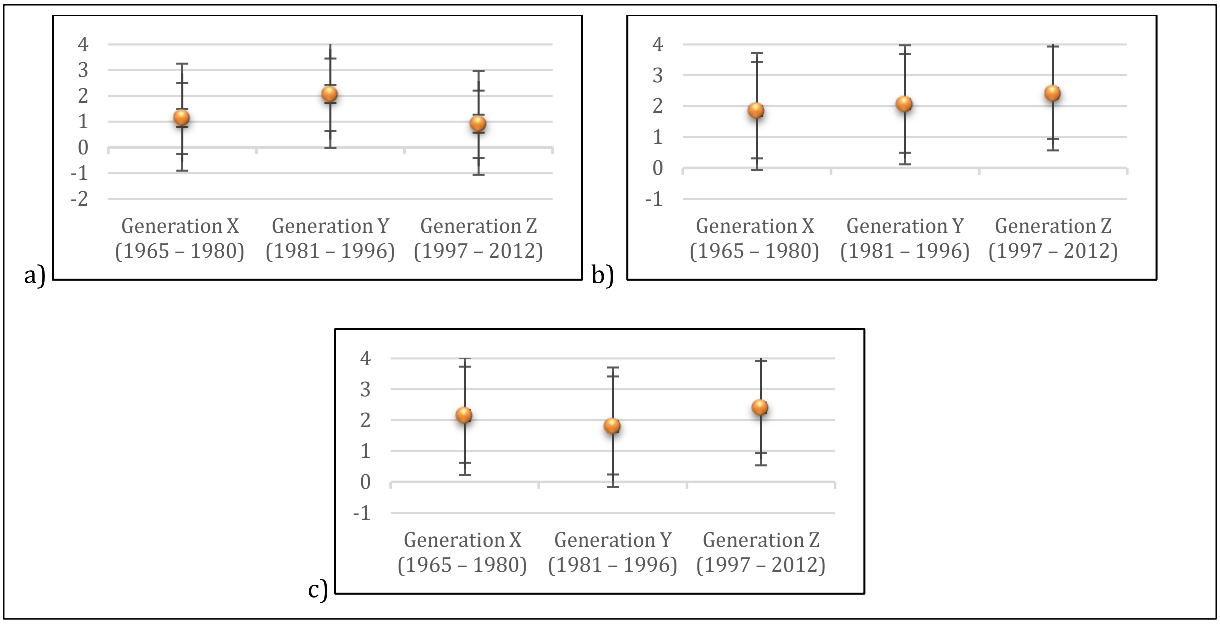
The specialised approach of carbon footprinting in banking and payment transactions recognises the significant influence of consumption habits on an individual's environmental impact. The respondents of our questionnaire (consumers) perceive the following financial products as the most environmentally unfriendly: debit cards (23% of respondents), electronic banking in PC (15%), and investment funds (13%). As financial products with the lowest emissions and impact on the environment were considered to be: smart-banking apps in the mobile phone (23%), current accounts (17%), and banking identity (10%). There is no exact ranking or specification of the carbon footprint of financial products from the questionnaire list in the literature. Respondents' answers cannot be therefore confronted with the reality.

Research question RQ2 was focused on the extent to which the general public is familiar with sustainable finance issues. The questionnaire contained questions testing respondents' knowledge of two specific terms, open banking and impact investing, which play crucial roles in advancing sustainable finance by promoting transparency, accessibility, and responsible investment practices. The terms were explained before answering the following related questions.

Open Banking allows consumers to take advantage of data-driven financial services by sharing data held at one organisation with another organisation, typically between financial institutions and trusted third parties (Babin and Smith, 2022). Open Banking can benefit environmental sustainability by enabling the development and introduction of new financial products and services that support sustainable investment and the development of renewable energy sources.

Figure 6 illustrates survey responses to questionnaire questions testing how respondents are familiar with the concept of Open Banking. After an explanation of the term, respondents' attitudes to the topic were investigated. Figure 6a clearly shows that the general public is not very familiar with the Open Banking concept; slightly higher values can be seen in Generation Y, and the lowest knowledge is in Generation Z. Although Generation Z's respondents are unfamiliar with the term, they believe that this concept can benefit the environment (Figure 6b) and are most willing to adopt this new concept as their own (Figure 6c). But the differences between individual generations are not very significant.

Fig. 6: Survey responses to the questions related to Open Banking



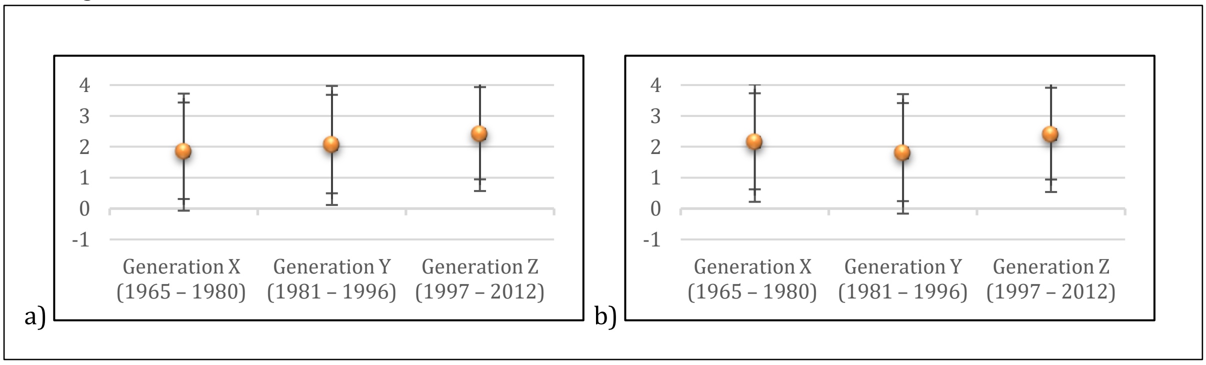
Notes: *Responses on Likert Scale 0 – 4 (0 = not at all/definitely no, 4 = yes, I know exactly/definitely yes). Questions: a) Do you know what "Open Banking" means?; b) Do you think that "open banking" could be beneficial for environmental sustainability?; c) Would you be willing to start using Open Banking if you were convinced of the positive effects on sustainability?*

Source: authors' calculations

Impact investing is the practice of allocating capital to businesses, organisations, and projects with the intention of generating positive social and environmental impact alongside financial returns. Impact Investing and ESG (Environmental, Social and Economic) investing are related but not identical concepts. While Impact Investing focuses directly on generating a positive impact, ESG investing tries to consider these factors as part of the overall assessment of the investment. Both concepts relate to sustainability and can benefit the environment and society, but they differ in their goals and methods of use (Foroughi, 2022).

Fig. 7: Survey responses to the questions related to Impact Investing

Notes: *Responses on Likert Scale 0 – 4 (0 = not at all/definitely no, 4 = yes, I know exactly/definitely yes). Questions: a) Do you know what "Impact Investing" is?; b) Do you believe "Impact Investing" is the same as ESG investing?*



Source: authors' calculations

Figure 7 evaluates questionnaire responses to questions related to Impact Investing. Figure 7a suggests that the general public is more familiar with Impact Investing than Open Banking as the mean values are higher. Especially findings by Generation Z implies better knowledge. Generation Z also has the strongest belief that concepts of Impact

Investing and ESG Investing are identical (Figure 7b), but this is not entirely true. Impact Investing and ESG Investing are related but not identical; both concepts relate to sustainability and can be beneficial to the environment and society, but they differ in their goals and methods of use.

Conclusion

The essence of this conference paper lies in the concept of sustainable finance, which integrates environmental, social, and governance (ESG) factors into financial decision-making processes to support long-term economic growth while addressing sustainability challenges—the paper aimed to examine the general public's attitudes, perceptions and identification with sustainable finance issues. The general public plays a significant role in driving the demand for sustainable finance products and services, influencing the behaviour of financial institutions, and shaping policy agendas towards sustainability. Therefore, sustainable finance is an issue that resonates with and affects the general public's interests and concerns. Even though the perception and identification of the general public with sustainable finance issues is an important aspect of promoting sustainable development, only limited research in this particular field can be found in the literature.

This study followed two main research questions, and appropriate answers were found to all of them. Research question RQ1 aimed to capture the extent of the importance of sustainable finance issues for the general public. The research results show that the importance of carbon footprint as a measure of environmental sustainability is mild, and the differences between generations are not very distinct. The respondents indicated the following financial products as the most environmentally unfriendly: debit cards, electronic banking on PC, and investment funds. As financial products with the lowest emissions and environmental impact, the respondents stated: smart-banking apps in the mobile phone, current accounts, and banking identity. Research question RQ2 was focused on the extent to which the general public is familiar with selected sustainable finance terms, open banking and impact investing, which play crucial roles in advancing sustainable finance by promoting transparency, accessibility, and responsible investment practices. Overall, the general public is not very familiar with the concepts mentioned, and the differences between generations are insignificant.

The study was based on a questionnaire survey, implying certain limitations of results interpretation of personal opinions. Future research still has the potential to explore other aspects of sustainable finance. However, addressing a more significant number of respondents would be necessary to ensure a sufficient frequency in all analysed groups for statistical testing.

The scientific novelty of this study mainly lies in the empirical results gathered through a questionnaire survey. By shedding light on the general public's understanding and attitudes towards sustainable finance, the article contributes to the broader discourse on sustainable finance. Further research in this area can contribute to a better understanding of how to promote sustainable finance practices among the general public.

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