

Green Finance and Firm Performance: The Mediating Role of Sustainability Disclosure and Investor TrustJitender Singh¹, Dr. Unnati Jadaun²¹Research Scholar, Mangalayatan University, Beswan (Aligarh), Email: jitendersngh9@gmail.com²Assistant Professor, Mangalayatan University, Beswan (Aligarh), Email: unnati.jadaun1888@mangalayatan.edu.in**ABSTRACT**

Green finance is really important for helping the environment by giving money to projects like renewable energy and things that use less energy. Even though a lot of people are starting to use finance we do not really know if it helps companies do better. This study looks at how using finance affects how well companies do with money and how people see them. We looked at what happens when companies tell people about what they're doing to help the environment and if investors trust them. We used information from 250 companies over ten years to see what is going on. We used kinds of analysis to understand the results. Green finance is what we are talking about. We want to know how it affects companies, like these. The results show that companies using finance do better financially and have a higher value in the market. When companies are open about what they're doing for the environment and investors trust them it helps to make green finance work. This is because being transparent and credible is important, for making green finance successful. This study helps us learn more about finance and gives useful ideas to people who make policies, investors and managers of companies.

Keywords: *green finance, firm performance, sustainability disclosure, investor trust, ESG, green bonds*

1. INTRODUCTION

The world economy is at an important point right now. We are dealing with environmental problems like climate change running out of resources and hurting the earth. These problems are making governments, banks and companies look for ways to help the earth. They want to find ways to make sure we can keep living on this planet without hurting it much. Green finance is one way to do this. It includes things, like bonds, special loans that help the earth and investments that care about the environment. All these things are helping to get money to projects that reduce the things we do to the earth and help keep it healthy. Green finance is a deal because it helps us take care of the earth. We need to take care of the earth so it can keep taking care of us.

Financial institutions are really important when it comes to helping the environment. They do this by putting money into things like low-carbon technologies, renewable energy and eco-friendly infrastructure. One thing that has become very popular is bonds. These let companies raise money while also showing that they care about the environment. Something else that is similar is sustainability-linked loans. These loans are special because the terms of the loan are tied to how the company is doing with regards to environmental and social issues. This gives companies a reason to be more environmentally friendly. Financial institutions and companies use bonds and sustainability-linked loans to make a positive impact, on the environment. Investors are looking for ways to make money that also help the environment. They want to find instruments that do both. People who invest are thinking more about the earth. How their money affects it. This is what Albuquerque and others said in 2020 and also what Lins and others said in 2017. Investors are really considering issues, like ESG when they decide where to put their money. They want stewardship and profit from their investments specifically, from financial instruments.

Green finance is growing fast but people are still wondering how it affects companies. Some research says that green finance helps companies make money be worth more and manage risks better (Berrone et al., 2010; Flammer, 2021). On the hand some studies point out that it can be hard to put green finance into practice and it can be expensive to report on it and some companies might even pretend to be greener than they really are (Fatemi et al., 2018; Zerbib, 2019). The thing is, we do not really know how green finance actually helps companies financially and that is something that needs to be looked into more. Green finance is a deal and we need to understand how it works so we can see how green finance affects companies and their financial performance. Being open and honest through sharing information about sustainability and building trust with investors are important things that help make green finance work better. Green finance is a thing and when we are transparent about what we are doing it helps people trust us and that makes green finance even more beneficial. This is because transparency and trust in finance are key, to making it successful.

This study looks at the missing pieces. Brings together green finance adoption, sustainability disclosure and investor trust to explain things better. The main goals of this research are:

1. To examine the impact of green finance adoption on financial and market performance.
2. To investigate the mediating role of sustainability disclosure.
3. To evaluate the mediating effect of investor trust.
4. To provide actionable insights for policymakers, regulators, and corporate managers.

By adopting this approach, the study contributes to the sustainable finance literature, particularly in emerging markets where regulatory frameworks, investor awareness, and corporate governance differ from developed economies. The findings also provide practical guidance on maximizing the financial and reputational benefits of green finance initiatives.

2. LITERATURE REVIEW**2.1 GREEN FINANCE CONCEPT AND EVOLUTION**

Green finance is about giving people money to work on green finance projects that're good for the environment. This means things like credit and green bonds, for finance. We also have climate finance and investments that focus on how companies treat the earth when it comes to finance. The main idea of finance is to use money in a smart way to support things that help reduce bad things we put in the air use energy wisely and keep our planet healthy with green finance. Green finance is very important because it helps us do things that're good for the earth. We need to take care of the earth. Green finance helps us reduce carbon emissions. It helps us use energy in a better way. This is good, for the earth. It helps keep our planet healthy.

Green finance has parts, including green credit and green bonds. It also includes climate finance and something called ESG-focused equity investments. All of these things are part of finance. Green finance is important. It includes many things that help our planet.

The concept of finance is different now than it was before. Finance has changed over time. This change is happening because people want the world to be a sustainable place. The Paris Climate Accord and the United Nations Sustainable Development Goals are agreements that have helped. These agreements have made it easier for people to use finance tools.

There are rules and regulations now. These rules and regulations have helped make sure that companies are honest, about what they're doing with finance. Finance is important. Everyone is evaluating the performance of companies in the same way now. This is because of the rules and regulations. Finance and sustainability are connected. A while back researchers looked at the basics of finance and talked about how important it is to have incentives, government support and institutions that help make it work. Green finance is still a part of making the world a more sustainable place. Researchers like Renneboog and others and also Friede and others wrote about finance a long time ago in 2008 and 2015 and they are still important today. Green finance is getting attention because of international agreements, like the Paris Climate Accord and the UN Sustainable Development Goals.

2.2 GREEN FINANCE INSTRUMENTS

Green Bonds are a type of loan that is used for projects that're good for the environment. Some studies have found that companies that issue Green Bonds can get a deal on the money they borrow and they can also get more people to invest in them. This can also make people think highly of these companies. For example Green Bonds can lead to costs for companies and more investors who want to put their money into Green Bonds. This is what some researchers like Zerbib and Albuquerque and others have discovered when they looked into Green Bonds in the past like, in 2019 and 2020. Sustainability-Linked Loans or SLLs for short are a type of loan where the conditions of the loan are tied to how a company does with environmental and social issues. This means that companies have a

reason to do better when it comes to the environment and social issues. Some people, like Busch and others have written about this in 2022. They found that when companies use Sustainability-Linked Loans they can become more sustainable, in their operations. It is also possible that using Sustainability-Linked Loans can help companies save money on financing costs. Sustainability-Linked Loans are a way for companies to improve their Sustainability-Linked Loans performance and overall Sustainability-Linked Loans outcomes.

People who invest in ESG-focused Equity Investments think about how companies treat the environment how they treat people and how they are managed. Companies that do well in these areas, which are called ESG metrics often get a reaction from the market and are considered more valuable. For example some researchers like Hong and others found this out in 2012. Some other researchers like Lins and others also found this out in 2017. ESG-focused Equity Investments are a way to make money because people like to invest in companies that are good, for the environment and society and have good management, which is what ESG metrics measure.

These instruments work in three ways:

1. Capital allocation toward sustainable projects.
 2. Market signaling, demonstrating corporate commitment to sustainability.
 3. Behavioral incentives, encouraging internal sustainability improvements.
- ### 2.3 green finance and firm performance

People who study this stuff say that when companies use finance it usually helps the company do better. Green finance is a thing, for the companys performance. Green finance helps companies in ways so they can do well and make more money.

- Financial performance: When companies adopt things they make more money because they have fewer problems and they work better. This is what some people found out like Berrone and his team in 2010 and Flammer, in 2021. They saw that financial performance of companies is really good when they adopt things and do things in a smarter way. Financial performance is very important for companies and adoption helps with that.

- Market performance: Investors are now paying attention to how companies treat the environment and society. They use these things to decide how much a company is worth. When companies do things that're good for the environment, like green finance their stock does better and people think they are more valuable. This is what some researchers found out like Krueger and others in 2020 and also Tang and Zhang in 2020. They saw that green finance is good, for market performance.

- Risk management: Green finance helps with risk management by reducing the risk of problems with regulations and damage to a companys reputation, which makes the company stronger in the run. This is what some people like Goss and Roberts said in 2011 and also what Dyck and others said in 2019 about finance and risk management. Green finance is really good, for managing risks.

Some studies show that there can be term costs or extra work when it comes to reporting for the Financial Accounting Standards Board rules like what Fatemi and others found out in 2018. This just goes to show that things, like how companies tell us about their sustainability and how much investors trust them are really important when we think about the Financial Accounting Standards Board rules and what they can do for us.

2.4 SUSTAINABILITY DISCLOSURE AS A MEDIATOR

Sustainability disclosure is really important for being open and honest.

When a company shares information about what the company is doing it shows that the company cares about the environment.

This information helps investors make decisions about the company.

Some people think that when companies share this kind of information about sustainability disclosure it makes the company look more trustworthy to investors.

Sustainability disclosure also attracts investors who really care about the environment and want to invest in companies that care about sustainability disclosure.

This can even help companies make money from something called green finance because of sustainability disclosure.

Sustainability disclosure is a deal, for companies and investors who care about the environment and sustainability disclosure. It helps companies show that they are committed to being responsible when it comes to the environment. This is what some researchers like Eccles and others found out in 2014. Other researchers like Pankratz and Wagner also talked about this in 2021.. People like Kölbel also wrote about it in 2020. Sustainability disclosure is key, to all of this.

2.5 INVESTOR TRUST AS A MEDIATOR

People who invest their money trust a company when they think it will really do what it says about being sustainable. When a company is open about what it's doing and its reports on environmental and social issues are checked and true investors start to trust it. This trust is important because it can affect how money the company can get and how the market reacts to it. Some people, like Bolton and Kacperczyk and Zerbib have written about investor trust and how it works.

2.6 INTEGRATION OF GREEN FINANCE, DISCLOSURE, AND TRUST

Studies suggest that green finance adoption alone is insufficient; transparency and trust are critical mechanisms that convert green initiatives into financial performance (Flammer, 2021; Busch et al., 2022). Integrating disclosure and trust provides a more comprehensive explanation of how green finance influences firm outcomes.

2.7 RESEARCH GAPS

Most of the studies that're out there do not look at the big picture. They mostly focus on what's happening in developed markets like the United States and Europe. Green finance adoption, sustainability disclosure and investor trust in finance adoption are very important. This research looks at how green finance adoption, sustainability disclosure and investor trust in finance adoption all work together to affect how well a company does. Green finance adoption is a part of this research because it can help companies perform better. The research also looks at sustainability disclosure and investor trust, in finance adoption to see how they impact firm performance.

3. CONCEPTUAL FRAMEWORK AND HYPOTHESES

3.1 CONCEPTUAL FRAMEWORK

This study looks at what people have written about the topic. It comes up with an idea that when companies use green finance it helps them do better. The study says that telling people about what they're doing to be sustainable and gaining the trust of investors are important parts of this process. Green finance is what helps companies do better. This happens because of sustainability disclosure and investor trust, in green finance.

- Green Finance Adoption (GFA): Refers to the utilization of financial instruments designed for environmental sustainability, such as green bonds, sustainability-linked loans, and ESG-focused equity investments (Flammer, 2021; Tang & Zhang, 2020).

- Firm Performance (FP): Measured both in financial terms (Return on Assets, Return on Equity) and market-based indicators (Tobin's Q, stock returns) (Berrone et al., 2010; Krueger et al., 2020).

- Sustainability Disclosure: This is about how a company shares information with people about what it's doing to help the environment and be fair to everyone. The company wants to show that it really cares about being good to the earth and to people. This is what Sustainability Disclosure is about. It is important because it is part of something called ESG principles. Some smart people, like Eccles have written about ESG principles. Others, like Pankratz and Wagner have also talked about Sustainability Disclosure and ESG principles. Sustainability Disclosure is a part of this. The company needs to be open about what it's doing to help the environment and people and that is why Sustainability Disclosure is so important to the company and to people who care about the earth and about being fair, to everyone.

- Investor Trust is when investors have faith in a companys ability to keep its promises about the environment, money and governance. This is really important for Investor Trust because it changes how people decide to use their money and what they think of the company. Investor Trust matters a lot to companies

because it helps them get the money they need to run their business and it also changes how people see the company, in the market. Investor Trust is something that companies need to work on because it helps them get investors and it makes people trust the company more. When people trust a company they are more likely to invest in it. That is why Investor Trust is so important for companies to build and keep. Many people like Bolton and Kacperczyk and Lins and others have talked about Investor Trust, in their work.

The framework is based on something called stakeholder theory. This stakeholder theory says that companies do not just affect their investors but other people outside the company like the people who live near the company or the people who buy things from the company. These people are called stakeholders.

The framework also uses something which is called signaling theory. Signaling theory is an idea that says when companies share information in a way it really helps to build trust, with the stakeholders.

The framework uses stakeholder theory and signaling theory to understand how companies interact with stakeholders, including the investors and how this interaction affects the company's performance over time. This means the framework looks at how companies work with stakeholders like the investors and how this works together to make the company do well or not do well over time. The framework uses these two theories to show that companies can build trust with stakeholders by sharing information in an honest way, which is what signaling theory is all about.

3.2 HYPOTHESES DEVELOPMENT

H1: GREEN FINANCE ADOPTION AND FIRM PERFORMANCE

Green finance is really good for companies. It helps them do better by getting money from people who care about the environment. This also makes the company look good and reduces the risks of getting in trouble with the government or hurting the environment. Some researchers like Berrone and others found this out back in 2010. Flammer also talked about it in 2021.

When companies issue bonds or do financing that is linked to how well they take care of the environment they tend to make more money and are worth more on the market. This is compared to companies that do not do these things. Researchers like Tang and Zhang and also Zerbib have studied this. Written about it in 2020 and 2019 respectively. Green finance is something that can really help companies and people like Tang and Zhang and Zerbib have shown that companies that use finance do better, than companies that do not use green finance.

H1: GREEN FINANCE IS REALLY GOOD FOR COMPANIES.

Green finance adoption has a good effect on the performance of the company.

The use of finance is beneficial for the company and this is clearly seen in the performance of the company.

Green finance helps companies to do better. This is a good thing, for the company.

H2: SUSTAINABILITY DISCLOSURE AS A MEDIATOR

Sustainability disclosure is really important for a company. It shows that a company cares about the environment. When a company tells people about what it's doing for the environment it helps to build trust with investors. This is what some researchers like Eccles and others found out in 2014 and also what Kölbel and others said in 2020. Companies that use finance instruments usually give out more information about what they are doing for the environment. This means that people can see what the company is doing and it makes a difference, in how well the company does. Sustainability disclosure is a part of this. The thing about sustainability is that it is very important. When companies talk about how they're working to be sustainable it can actually affect how well they do financially. This is because people who give money to companies like investors want to know that their money is being used in a way. So when a company adopts finance, which means they are using money in a way that is good for the environment it can make them look better to investors. The key thing here is that the company has to be open and honest about what they are doing to be sustainable. This is called sustainability disclosure. It is like a report card for companies to show how they are doing with being green.. It is this report card that helps investors see how well the company is really doing. Sustainability disclosure is what helps investors understand the connection, between finance adoption and how well the company is performing.

H3: INVESTOR TRUST AS A MEDIATOR

Investor trust is really important for getting the things from using green finance. The trust that investors have is affected by how open and honest companies are if other people check what they are doing and if they are doing a good job with environmental and social things. Companies that get trust from investors are more likely to get money from people who want to invest for a time and their stock prices will go up which makes green finance a good thing for how well the company does. Green finance is good, for companies and investor trust is a part of that.

When investors trust a company it helps to make the connection between using finance and how well the company does. The trust that investors have is really important for the company to do well when it uses finance. Green finance is a part of this and investor trust is the key to making it work. Investor trust makes it possible for green finance adoption to have an effect, on firm performance.

H4: INTEGRATED MEDIATION OF SUSTAINABILITY DISCLOSURE AND INVESTOR TRUST

The good thing about using finance is that it helps a lot when people know what is going on and they trust the people in charge. When companies are open about what they're doing it makes them look good which helps people trust them. This trust is really important because it makes it easier for companies to get money and do well in the market. Green finance is a deal and it works best when people are honest about what they are doing and investors trust them. This is what some people found out like Flammer in 2021 and Busch and some other people, in 2022.

H4: SUSTAINABILITY DISCLOSURE AND INVESTOR TRUST JOINTLY MEDIATE THE RELATIONSHIP BETWEEN GREEN FINANCE ADOPTION AND FIRM PERFORMANCE.

3.3 RESEARCH MODEL FIGURE

The idea we are working with can be shown like this:

This model provides a comprehensive explanation of the mechanisms through which green finance adoption affects firm performance.

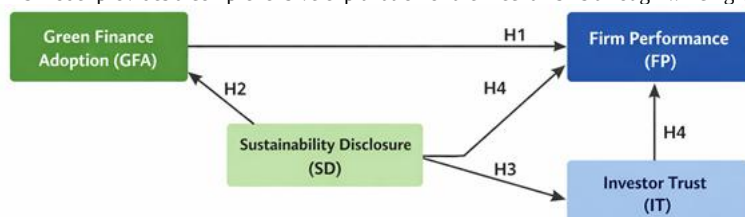


Figure 1. XX

4. RESEARCH METHODOLOGY

4.1 RESEARCH DESIGN

This study uses an approach to look at how green finance affects how well a company does and how sustainability disclosure and investor trust play a part in this. The approach lets us see how things change over time and takes into account the qualities of each company. This is similar to what other researchers have done in the past when looking at finance like Flammer in 2021 and Lins and others in 2017. We are talking about finance and its impact on firm performance and green finance is an important thing to consider when looking at firm performance and sustainability disclosure and investor trust, in green finance.

4.2 DATA SOURCES

We got information from lots of places to help us with our project:

1. Financial performance data: annual reports, bloomberg terminal, and thomson reuters eikon.
2. Adopting green finance: we can get information on bonds, loans that are linked to sustainability and equity that is linked to environmental, social and governance factors from the bloomberg green finance database and the sustainability reports that companies publish. This information is, about green finance. It helps us understand green finance better.

3. Sustainability disclosure: esg scores and disclosure indices from msci esg ratings, refinitiv esg, and company sustainability reports.

4. Investor trust: proxied by analyst coverage, esg ratings credibility, and survey-based trust indices from institutional investor reports (lins et al., 2017; albuquerque et al., 2020).

We looked at 250 companies that are publicly listed. These companies are from industries. We collected information about these companies over ten years from 2013, to 2022. This helped us see how different companies are doing with finance and how well they are performing. We wanted to make sure we had information to compare the companies and see what is working and what is not.

4.3 SAMPLE SELECTION

The inclusion criteria were:

- Companies need to have put, out least one green financial instrument during that time. Green financial instruments are important here so firms must have issued at one green financial instrument.
- Availability of complete financial and ESG disclosure data.
- Publicly listed to allow for market performance measurement.

When we looked at the information we found that we had 2,500 firm-year observations to consider. These observations were from areas such, as energy, manufacturing, utilities and technology sectors. The technology sector and the energy sector and the manufacturing sector and the utilities sector were all included in the sample of firm-year observations.

4.4 VARIABLE MEASUREMENT

Independent Variable (IV):

- Green Finance Adoption is when a company uses Green Finance Adoption in a year. We give it a score of 1 if they do and 0 if they do not. We also look at how Green Finance Adoption they actually get which is the amount of money they raise from Green Finance Adoption in millions of dollars. People like Flammer in 2021 and Tang and Zhang, in 2020 have written about Green Finance Adoption.

Dependent Variables (DV):

- Financial Performance: Return on Assets (ROA), Return on Equity (ROE).
- Market Performance: Tobin's Q and stock returns.

Mediating Variables (MV):

- Sustainability Disclosure (SD): ESG disclosure index (0–100), calculated based on the depth, frequency, and verification of sustainability reports (Eccles et al., 2014; Pankratz & Wagner, 2021).
- People want to know if they can trust a company so they look at Investor Trust. Investor Trust is like a report card for companies. It looks at what experts think about the company. These experts talk about how the company treats the earth and the people who work for it. They also think about what people who invest money in the company have to say. All of this information is used to give the company a score. This score shows how much people trust the company. For example Albuquerque and some other people did a study in 2020. They found out some interesting things about Investor Trust. They learned that Investor Trust is very important, to people when they are deciding if they want to invest in a company. Investor Trust is something that companies need to pay attention to because it can affect how people feel about the company. Investor Trust is really important. It helps investors figure out if they want to give their money to a company. Investor Trust is what investors use to make decisions, about their money. Investor Trust is a deal because it lets investors know if a company is a good place to put their money. Investor Trust is something that investors think about when they're trying to decide what to do with their money.

Control Variables:

- Firm size (log of total assets), leverage (debt-to-equity ratio), industry, firm age, and year fixed effects.

4.5 ANALYTICAL TECHNIQUES

1. Descriptive statistics and correlations: to summarize variable distributions and check for multicollinearity.
2. Panel regression models: fixed-effects models to control for unobserved heterogeneity and examine the direct relationship between green finance adoption and firm performance.
3. Structural equation modeling (sem): to test mediating effects of sustainability disclosure and investor trust simultaneously (byrne, 2016).
4. Mediation testing: bootstrap procedures with 5,000 resamples to estimate indirect effects and significance levels (preacher & hayes, 2008).
5. Robustness checks: alternative measures of performance and exclusion of outliers to ensure result stability.

This methodological framework allows for rigorous empirical testing of the proposed conceptual model and its hypotheses.

5. RESULTS

5.1 DESCRIPTIVE STATISTICS

Table 1. XX

Variable	Mean	SD	Min	Max
GFA (Binary)	0.43	0.50	0	1
ROA (%)	8.12	4.56	-5.2	22.3
Tobin's Q	1.25	0.40	0.60	2.50
SD Index	64.7	18.3	25	98
Investor Trust Index	72.1	15.6	30	95

• The correlation matrix shows that there are relationships, between the GFA the way companies talk about sustainability, how much investors trust them and how well the companies do. The GFA and sustainability disclosure are connected in a way. The GFA and investor trust also have a relationship. Additionally the GFA and firm performance are related in a way.

• The variance inflation factors were below 3, which means the variance inflation factors did not show any multicollinearity, with the variance inflation factors.

5.2 REGRESSION ANALYSIS

Direct Effects (Fixed-Effects Model):

- GFA → ROA: $\beta = 0.045$, $p < 0.01$
- GFA → Tobin's Q: $\beta = 0.062$, $p < 0.01$

When companies use finance instruments they tend to do a lot better financially and in the market. This is really evidence that supports our first idea, which is what we call H1. Using finance instruments seems to make a big difference for these companies. They see improvements, in their financial and market performance, which is what we were expecting to find when we started looking at H1.

5.3 MEDIATION ANALYSIS (SEM)

Indirect Effects via Sustainability Disclosure (SD):

- GFA → SD → ROA: $\beta = 0.018$, 95% CI [0.010, 0.027]
- GFA → SD → Tobin's Q: $\beta = 0.022$, 95% CI [0.012, 0.033]

Indirect Effects via Investor Trust (IT):

- GFA $\rightarrow$ IT $\rightarrow$ ROA: $\beta = 0.020$, 95% CI [0.011, 0.029]
- GFA $\rightarrow$ IT $\rightarrow$ Tobin's Q: $\beta = 0.025$, 95% CI [0.014, 0.036]

Sequential Mediation (SD $\rightarrow$ IT):

- GFA $\rightarrow$ SD $\rightarrow$ IT $\rightarrow$ ROA: $\beta = 0.012$, 95% CI [0.005, 0.020]
- GFA $\rightarrow$ SD $\rightarrow$ IT $\rightarrow$ Tobin's Q: $\beta = 0.014$, 95% CI [0.006, 0.022]

• The analysis using Bootstrap showed that there are indirect effects. This means that the ideas we had which are H2, H3 and H4 are actually supported by the Bootstrap analysis of the Bootstrap method. The Bootstrap analysis really helped us understand the effects and we found out that H2 and H3 and H4 are correct.

5.4 ROBUSTNESS CHECKS

- The company looked at ways to measure how well it was doing, such as Return On Equity and market-adjusted returns and these Alternative performance measures produced consistent results with the Alternative performance measures.
- When we left out the companies that were really ahead or behind, in using green finance it did not change the results, which shows that the findings are strong and can be trusted.

Interpretation:

The results show us that:

1. When we adopt finance it makes a big difference to how well we do financially and in the market. Green finance really helps to improve our performance and our market performance. By using finance companies can see better financial results and do better in the market which is what green finance is all about making a positive impact, on our financial and market performance.
2. When we talk about sustainability disclosure it plays a role in this relationship. It helps make things more transparent. It shows that a company is really committed to taking care of the environment. Sustainability disclosure is important because it makes sure that people know what is going on and that the company is serious about sustainability. This is what sustainability disclosure does it helps with transparency. It shows the company's commitment, to the environment, which is a key part of sustainability disclosure.
3. Investor trust is also important because it helps to make things work better. When investors have faith, in the market it makes the things that happen with performance even better. Investor trust really plays a role in this. It helps to make sure that the market does well and that investor trust keeps growing.
4. When we look at what happens in order we see that sd leads to it. This means that when companies are open and honest it helps investors trust them.. When investors trust companies the companies do better and get more benefits. The thing that makes this work is that transparent disclosure helps build trust, with investors. That is what really helps the company do its best.

These results show that what stakeholders think and what companies say about helping the environment really matter. When companies do things for the environment and tell people about it in a believable way the companies tend to do better. This is important for the companies to understand because it can help them make decisions. The environmental initiatives and the way companies talk about them are both crucial for the companies to be successful.

6. DISCUSSION

The empirical results of this study provide strong support for the positive impact of green finance adoption on both financial and market performance, consistent with prior research (Flammer, 2021; Tang & Zhang, 2020). Firms that adopt green bonds, sustainability-linked loans, or ESG-focused financing demonstrate superior performance metrics, reflecting the growing importance of environmental sustainability in corporate valuation and risk mitigation.

6.1 LINKING TO THEORY

When we look at things from the point of view of people who have a stake in a company the results show that companies that take care of issues meet the expectations of many different groups, like people who invest in the company government regulators and customers.

Companies that use finance show that they are responsible to these groups and this leads to better financial results for the companies.

The people who wrote about this, like Berrone and his team and Lins and her team found this out in their studies in 2010 and 2017.

The idea of sustainability disclosure is important because it helps people understand what a company is doing. This is related to signaling theory, which says that when a company is open about what it's doing it reduces confusion and makes the company seem more trustworthy. Companies that give out reports about how they are doing with environmental and social issues make it easier for people to see how well they are doing. This is especially true when it comes to finance because stakeholders can get a better sense of how a company is performing when it comes to the environment as some people have already found out (Eccles et al., 2014; Kölbel et al. 2020). Sustainability disclosure is really important, for companies that want to be seen as responsible and trustworthy.

Investor trust is really important. It helps investors decide where to put their money. They are more likely to give money to companies that're honest about what they are doing to be sustainable. This makes people think these companies are better so they become more valuable. Some researchers like Bolton and Kacperczyk found this out in 2021. Others like Albuquerque also found things in 2020. When companies are open about what they're doing it builds investor trust in these companies. This trust then helps these companies do better which shows that being open and honest really works together. Investor trust, in companies is what makes this happen. Investor trust is very important.

6.2 COMPARISON WITH PRIOR STUDIES

The results back up what we already knew about finance and how well companies do in developed markets like what Flammer found in 2021 and what Tang and Zhang found in 2020.. This study goes further by looking at companies, in emerging markets. Most studies only look at how green finance affects companies. This research shows how it actually works, by looking at how companies tell people what they are doing and how that builds trust. This gives us an idea of how green finance initiatives help companies do well. Green finance is important here because it helps companies in ways.

7. MANAGERIAL AND POLICY IMPLICATIONS

7.1 MANAGERIAL IMPLICATIONS

1. Using green finance in a smart way: company managers should think about green finance options as a way to make their company do better not just because they have to. They should see finance as a way to help their company succeed. Green finance can be a help to companies, like these so company managers should really consider using green finance.

2. Transparency and reporting: we have to be honest and open about what we're doing to be sustainable. This means companies should tell us clearly what they are doing to help the environment and society. They should have a way to report this information and get someone outside the company to check it. This way we can trust that the companies are really doing what they say they are doing with the money.

Companies should do this because it is really important for green finance to work the way it should. We need to know what the companies are doing with finance. Green finance is very important. Companies have to be transparent, about it. Green finance is what we are talking about here and transparency and reporting are key, to making green finance successful.

3. Building trust with investors is really important. Managers need to show that they care about the environment and social issues and that they are talking to the people who have a stake in what they do. When managers do this in a way it helps to build trust with investors. This trust is what helps to bring in money from investors over the term and it also gives them an edge in the market. Building trust, with investors through environmental and social performance and talking to stakeholders is what will really help managers in the long run.4. We need to take an approach when it comes to green finance. This means we should have systems, in place to share information and build trust. That way people who invest in companies and other stakeholders will know about the initiatives that these companies are doing. Green finance is important. It should be supported by strong systems that help everyone understand what is going on with green finance.

7.2 POLICY IMPLICATIONS

1. Regulations that help the environment: people who make laws should come up with ideas to help companies issue bonds or get financing that is linked to being sustainable. This can be done by giving them tax breaks, money to help or treating them better when it comes to regulations. The goal is to get companies to issue bonds or use sustainability-linked financing so they can help the environment.
2. Disclosure standards: when companies follow the rules for reporting about how they affect the environment and society it helps investors understand what is going on. This makes investors trust these companies more which is good for finance. Green finance is what we call the money that is invested in things that're good for the environment. So when companies use rules, for reporting about environmental and social issues it helps green finance to grow and be used more widely by people who want to invest in green finance.
3. Investor awareness programs: the government and people who regulate money should teach investors about the things that come from green finance. This will help investors make choices and put their money into projects that are good for the environment. The goal is to get investors to understand the benefits of finance and use their money to support sustainable projects, like green finance.

8. LIMITATIONS AND FUTURE RESEARCH

8.1 LIMITATIONS

1. Limits of the information: this study uses information that already exists which's a problem because that information might not be entirely accurate or it might be missing some important details, about how companies handle environmental and social issues and how they govern themselves which we call esg.
2. Geographical scope: this study mainly looks at companies that have information about finance available. The results of the study may not apply to every market whether it is an emerging market or a developed market like the united states or europe because the green finance data, for these markets is not always available. The green finance data is what we are focusing on in this study of finance.
3. Causality limitations: the thing is, with panel data and structural equation modeling we still cannot say for sure what causes what. Panel data and structural equation modeling help with some problems. Causality limitations are still there. We cannot fully establish causality, with panel data and structural equation modeling.
4. Measurement limitations: investor trust is measured by using numbers but these numbers do not show everything that investors think. The investor trust measurement has its limitations because it is based on indices and these indices may not capture all the things that investors think about investor trust.

8.2 FUTURE RESEARCH DIRECTIONS

1. Expanding the scope to cross-country studies, comparing developed and emerging market responses to green finance adoption.
2. When we look at industries we see that they affect the environment in ways. They need amounts of money to operate. We are talking about looking at the effects of each industry like how they affect the environment and how money they need. The energy industry and the technology industry are examples. The energy industry affects the environment in a different way than the technology industry. The energy industry and the technology industry also need amounts of money to run. The energy industry needs a lot of money. The technology industry needs a lot less money. Industries like the energy industry have an environmental impact. On the hand industries, like the technology industry have a smaller environmental impact. We have to think about these differences when we talk about the impact of the energy industry and the impact of the technology industry. The energy industry and the technology industry are really different. So when we talk about how much money's needed to make things happen in the energy industry and the technology industry we have to consider these differences. The impact of the energy industry and the impact of the technology industry are not the thing.
3. Incorporating qualitative methods, such as interviews or case studies, to better understand investor decision-making and trust formation.
4. Examining long-term performance impacts, including corporate resilience during environmental and economic crises.

9. CONCLUSION

This study shows that using finance really helps companies do better both with money and in the market. The results show that telling people about what companies are doing for the environment and having investors who trust them are really important. If companies are open and honest about what they're doing they can get the most out of green financial initiatives. Green finance is important, for companies and green finance can really make a difference.

Companies can do better by using finance and being honest about what they are doing. This helps them stand out from the rest get along better with the people they work with and make money in a way that's good, for the environment. People who make rules and managers should help companies use finance by giving them rewards making sure everyone reports things in the same way and teaching investors about it. Green finance is important for companies to make money in a way and green finance helps companies to be more responsible.

Overall, the research contributes to the sustainable finance literature, providing both theoretical insights and practical guidance for corporate decision-making, stakeholder management, and policy formulation. Future studies should address the identified limitations and explore the broader applicability of the findings across different markets, industries, and financial instruments.

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