

DELVING INTO THE RELATION BETWEEN FINANCIAL LITERACY AND ENVIRONMENTAL SUSTAINABILITY IN SMEs

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ABSTRACT

Nowadays, a prominent research field is identifying critical drivers that facilitate SMEs to implement environmentally sustainable actions successfully. In this sense, while it is expected that the owner-managers financial literacy and business environmental sustainability could be related, there is limited research substantiating this relationship. Furthermore, the association mechanism by which this relationship may occur is unknown. Using 318 Spanish SMEs, our results reveal that the owner-managers financial literacy significantly boots environmental sustainability, confirming previous expectations. However, what is even more important is that this relationship does not occur directly but through the implementation of process innovations. Therefore, our findings facilitate the adoption of environmentally friendly initiatives in SMEs.

KEYWORDS: Environmental sustainability; financial literacy; association mechanism; SME.