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Opportunities to Increase Financial Well-Being by Investing in Environmental, Social and Governance with Respect to Improving Financial Literacy under COVID-19: The Case of Latvia

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Abstract: The latest studies reveal that the COVID-19 pandemic has pushed investors in developed economies to focus more on the value attached to environmental and social responsibilities. Unfortunately, socially responsible investment and compliance with environmental, social and governance criteria are not given enough priority in Latvia at present. The purpose of the study is to investigate how the COVID-19 pandemic has influenced the willingness of Latvians to invest in assets that meet environmental, social and governance (ESG) criteria and factors influencing investors' choice based on their financial literacy. Different views on sustainable investments, socially responsible investments and the relevance of environmental, social and governance criteria from private investors' perspectives were analyzed to identify factors influencing investment decisions in favour of sustainable investments. Quantitative analysis was carried out to reveal the regularities between financial literacy, the willingness to invest to meet the ESG criteria and the level of education and income of the Latvian population, as well as their savings/investment experience. Such statistical methods as descriptive statistics and hypothesis testing were applied to perform an analysis of the results. The authors' findings include the importance of sustainable investing to Latvian society, changes of attitude towards ESG investing in different private investors' groups under the COVID-19 crisis, and the effects of these changes on the financial well-being of the population and, on the basis of these findings, have come to the conclusion that the willingness to invest in the assets that follow environmental, social and governance criteria depends on the level of education, savings/investment experience and income level.

Keywords: socially responsible investment (SRI); environmental social and governance (ESG); sustainable investment (SI); financial well-being; financial literacy

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1. Introduction

Sustainable investments remain more widely applicable as investors' awareness of sustainability issues improves. Private investors account for a relatively small share of total sustainable investment compared to institutional investors, but the choice of a portfolio of retail investors' financial instruments is important for the future of sustainable investment. Attitudes, morals and subjective norms have a positive effect on the willingness to invest in socially responsible investment (SRI); however, the effect of this willingness has not been sufficiently studied. SRI, as well as sustainable investment (SI), is now undoubtedly becoming part of the mainstream of investment. Sustainable investments have the potential to impact sustainable development by influencing monetary issues by adhering to long-term environmental, social and governance (ESG) criteria in investment decisions [1].

Exploring potential ESG investment objects helps investors make investment choices based on ESG criteria and allows investors to align their current personal and social values with their investment decisions. Growing awareness of environmental, social and ethical issues in developed countries is strongly influencing investors' purchasing decisions now [2]. This study examines the impact of COVID-19 on the desire of the Latvian population to invest in the assets that meet environmental, social and governance criteria, based on the level of financial literacy of the population, and discloses how these changes have affected the financial well-being of Latvian society in the context of sustainable development highlighted in the 2030 Agenda by the United Nations in 2015 [3].

The importance of ESG and individuals' financial literacy is in line with Objective 12 on responsible consumption, Objective 3 on prosperity, and Objective 4 on the importance of quality education. The 2020 Organization for Economic Co-operation and Development (OECD) Ministerial Council Meeting 2020/4 underlined well-being in Member and Partner countries as being the backbone of the OECD's mission since its inception over 60 years ago and set out that it can be achieved through increased financial literacy, including digitalization of finance as well as recent research and evidence [4].

Various research conducted by Palma-Ruiz et al., Diez-Cañamero et al., Silinskas et al., Govindan et al., and Umar et al., also highlight the importance of recognizing the impact of current major global trends: the digitalization of consumption and finance; macroeconomic fluctuations; and crises such as COVID-19 on consumer financial behaviour [5–9].

The authors believe that investing in funds that meet ESG criteria and improvement of financial well-being are important for Latvian citizens. To justify those assumptions there is a need to implement the European Green Deal in Latvia even though Latvian citizens have one of the lowest incomes in the EU countries. As analysis of the surveys shows, the historical and existing level of financial literacy of the Latvian population is slightly below the OECD average. The financiers observe underdeveloped investment habits of Latvian citizens due to the short duration of state independence and the subsequent history of personal investment [10]. All this makes Latvia's case illustrative as a study for transition and developing economies with a low level of income and underdeveloped investment habits of the population in implementing a green strategy. Several studies have been conducted on this issue in Latvia by Lace, Ciemleja, Atstaja, Tambovceva, Mavlutova, Natrins, Spilbergs, Fomins and others [10–14]. Previously, the authors have emphasized the need for education and especially the development of a green mindset [15,16], but the opinion of the Latvian society towards ESG investments under the pandemic has not been studied yet. Therefore, the authors have conducted a current study on the importance of sustainable investment in Latvian society and studied the impact of the COVID-19 crisis on changes in the willingness of citizens to invest in environmental, social and governance skills based on the level of education in general and financial literacy in particular.

2. Literature Review

2.1. Sustainability of Investments and ESG Themes and Issues

Global capital markets can be considered as effective and powerful tools in the process of the development of sustainable economies on a global scale. Governments should be aware that environmental, social and governance issues may influence investment decisions and thus investors can satisfy their social concerns and concerns of society, simultaneously providing financial performance comparable with conventional investments.

SRI and sustainable investing are steadily growing market segments. According to Bengtsson, this growth is stimulated by investors who incorporate diverse social and environmental screens into their investment process. Normative and cognitive influence has stimulated the development of SRI. Changes in societal values can be considered a determining factor in the development of SRI. Societal environmentalism grew strong in the Nordic countries in the late 80s, and the concern for corporate social responsibility rose in the 90s. The governments responded to the demands of society by forcing the public pension system to adopt SRI in their decision-making process, emphasizing the importance of environmental and ethical factors. This legislative initiative demonstrates the importance of significant actors in the development of an organizational field [17].

According to Shipeng Yan, Fabrizio Ferraro, and Juan Almandoz, SRI has moved beyond niche market segments and now is moving towards a traditional approach in the investment decision-making process. It has revolutionized and expanded from avoidance of investments in undesirable segments to stimulating socially responsible practices, including fair employee compensation, benefits and human rights. Nevertheless, SRI ventures are affected by general market conditions and consumer demands. Availability of investment for SRI ventures depends on two interdependent factors: the investor's choice or motivation to form an SRI fund and the availability of resources, which generally depends on the actual institutional environment [18].

In societies where this financial logic is highly prevalent, even if the resources are plentiful, these resources are less likely to be diverted towards financial organizations with goals other than profit maximization because those goals may be categorized as unacceptable [19,20]. This raises the question of whether these investors can increase their performance by incorporating such screens into their investment process [21]. On the other hand, society increasingly requires financial institutions to take account of society and for them to advance sustainable development, especially after the global financial crisis [22].

Juan Carlos Matallín-Sáez, Amparo Soler-Domínguez, Emili Tortosa-Ausina, Diego Víctorde and Mingo-López found that socially responsible investors are less sensitive to investment returns. The benefits that SRI practice brings to society dilute the negative impact that lower investment returns might bring. On the other hand, the real-world practice shows no significant differences between the performance of mutual funds that pursue responsible investment practices to their conventional counterparts [23].

Sievänen, Rita, and Scholtens express the view that players have to define what sustainable development or responsibility means in their organization; secondly, they have to decide how to include it in their strategy; thirdly, they have to decide how to consider it in their daily business and investments; and fourthly, they must see how to monitor and report it [24]. Incorporation of principles of responsible investing principles in the investment policy of the intermediaries means the inclusion of ESG issues into investment analysis, investment object selection process and decision-making process, as well as active implementation and promotion of those principles within the investment industry [24].

As concluded in the study of Clark and Hebb, institutional investors are holding their investments in the increasing number of global firms directly accountable for their governance, social, and environmental behaviour. These investors demand higher standards of corporate behaviour than those required in traditional financial markets. In order to hold companies to account, institutional investors require higher corporate transparency and disclosure to adequately judge the reputational risks that are present in their business strategies [25]. The examination of environmental, social, and governance performance, on the other hand, leads to a better overall performance of the firm due to the fact that investments are performed sustainably. It is important to improve ESG standards to attract new investments to the capital markets and improve the investment environment. Fritz and Von Schnurbein found that traditionally investment funds focus on the return of the capital, and it is considered to be the main added value to the investors. If professional or individual investors align their investment decisions with mission or social purpose, they would not invest their funds for supplying capital to companies that show involvement in activities regarded with negative environmental impact [26]. Sievänen, Rita, and Scholtens name two main reasons for responsible investment. The first is to improve the financial return–risk ratio, and the second reason is based on the following groups of values: motives-egoistic, altruistic and/or biospheric values. The interaction of egoistic values and altruistic and biospheric values is evident: financial focus might negatively affect responsibility focus, as it could increase risks originating from ESG. A strict responsibility focus, on the other hand, can indicate that financial focus might suffer. Investors that combine strong financial focus with strong responsibility focus are very likely to have incorporated responsibility in their strategy. Sievänen, Rita, and Scholtens stress that investors' responsibility has to be further strengthened with future regulations and with common goals such as the UN's Sustainable Development Goals [24].

Pablo Durán-Santomil, Luis Otero-González, Renato Heitor Correia-Domingues and Juan Carlos Reboredo came to the conclusion that the sustainability score is significant, explaining the level of performance of the companies. It can help better understand the link between the financial performance of the enterprise and social responsibility. They found the sustainability factor to be very important in attracting investors. Higher-rated funds (sustainability score) have attracted a higher level of investors' interest and attracted a larger volume of funds [27].

Research of literature in the SCOPUS database proved that ESG has been a topical research object since 2005. There are 5446 scientific documents with the "environmental, social, and governance" keyword included in the title or abstract(see Figure 1). According to the results of the analysis, this topic has become even more relevant since 2019, when the number of papers grew rapidly. The most popular authors according to the number of the cited documents are Durán-Santomil, Otero-González, Escrig-Olmedo, Fernández-Izquierdo, García, González-Bueno, Oliver, Riley, Ziolo, and Filipiak (based on the research in SCOPUS database conducted by the authors) [28].

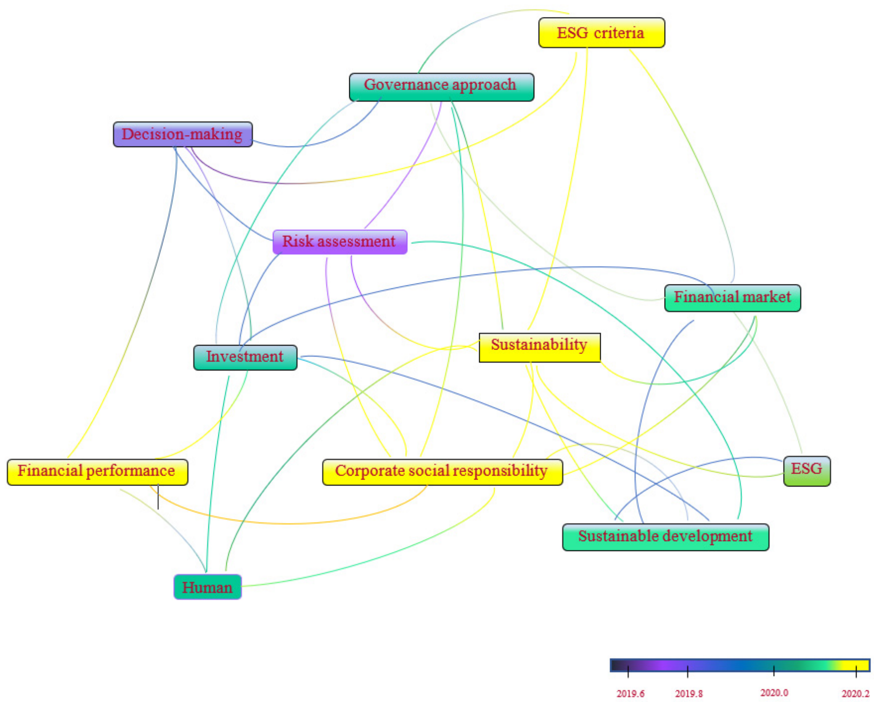

Figure 1. The results of literature content analysis based on the articles on ESG included in the SCOPUS database. Source [28].

Analysing the geographical aspects of the studies, the authors conclude that ESG is a topic often studied in developed and densely-populated countries.

Subsequent keyword analysis allows special focuses to be utilised that are extremely popular in the research field; for example, environmental, social, and governance criteria have been studied in 68 articles.

ESG's activities will bring significant benefits to both investors and companies, especially if the company applies transparency and anti-corruption policies in its day-to-day operations. The company that implies ESG policies in its everyday operations can be considered a good choice for investors and the portfolio manager in allocating assets, as the application of those policies reduces market risks. Investors nowadays can consider sustainable investments as an investment that provides excess returns, high market value, and shareholder loyalty. Ethical screens help to eliminate the firm's engagement in controversial operational activities and reflect the firm's values, and therefore lead to improved investment returns. Ming-Lang Tseng, Phan Anh Tan, Shiou-Yun Jeng, Chun-Wei Remen Lin, Yeneneh Tamirat Negash and Susilo Nur Aji Cokro Darsono believe that if a sustainable investment is approached thoughtfully and integrated into traditional business analysis, it improves insights into a firm's operations from an investor's perspective [1].

Clark & Hebb concluded that one consequence of institutional investors' interest in ex-ante information has been a growing market for third-party quantitative and qualitative assessment of firms' governance practices. Those assessments provide institutional investors with the information necessary for judging risks associated with investing in different types of companies. There are different clients in the rating market, some of whom are interested in corporate governance, while others are interested in different social and environmental standards. Active research is underway amongst institutional investors seeking to assess the relationship between standards of corporate governance and social and environmental responsibility [25].

At present, several well-developed methodologies are being developed in the world that allow companies to assess their compliance with the ESG criteria. As an example of such a methodology and its application, the authors will review and reflect on the basic principles of MSCI ESG conformity assessment.

As concluded by MSCI experts, environmental, social, and governance risks and opportunities are generally posed by large-scale trends (e.g., climate change, resource scarcity, demographic shifts) and by the nature of the company's operations (Table 1). Companies in the same industry generally face the same risks and opportunities, although risk exposure to an individual company may vary. Risks that incur in an industry are likely to generate substantial costs in connection with it to companies in a given industry. [29].

To analyse a company's ESG impact, industry relative scores and a weighted average approach should be applied. Key Issue weights should be set at the industry level based on each industry's relative external impact and the time horizon associated with each risk (Figure 2) In this way, Corporate Governance issues can be analysed for different companies [29].

The MSCI ESG assessment methodology is comprehensive and allows not only the company's current compliance with ESG criteria and their application in the company's operations to be assessed, but also to assess the company's readiness and ability to implement socially and environmentally responsible policies in the future. Both exposure scoring and management scoring methodologies are detailed and provide a comprehensive impact assessment. For a company that implements the integration of ESG principles into its operations, this will mean a systematic assessment of environmental and social impacts and the adherence to subsequent impact improvement policies in all areas of its operations. The implementation of these policies at the strategic and tactical levels of the company's management is an integral part of the successful implementation of the ESG criteria.

The wider application of ESG valuation methodology in industries will mean a larger number of sustainable funds in the future and better investment opportunities for investors.

Vargas, Vicente, and Muñoz have observed that the sustainable fund performance is significantly better with respect to all the measures. This suggests that the screening of the funds has been beneficial for sustainable performance. With regard to the correlation between the fund rankings on the sustainability indicators and those on GDP per capita, no significant correlation between sustainable competitiveness and the wealth measured by GDP per capita can be observed. This implies that just because a country is rich, it cannot necessarily be assumed to be more competitive in the long term [30].

Table 1. MSCI ESG pillars, themes, and issues.

3 ESG Pillars	10 ESG Themes	35 ESG Issues	
Environment	Climate Change	Carbon Emissions Product Carbon Footprint	Financing Environmental Impact Climate Change Vulnerability
	Natural Capital	Water Stress Biodiversity and Land Use	Raw Material Sourcing
	Pollution & Waste	Toxic Emissions & Waste Packaging Material and Waste	Electronic Waste
	Environmental Opportunities	Opportunities in Clean Tech Opportunities in Green Building	Opportunities in Renewable Energy
Social	Human Capital	Labour Management Health & Safety	Human Capital Development Supply Chain Labour Standards
	Product Liability	Product Safety & Quality Chemical Safety Financial Product Safety	Privacy & Data Security Responsible Investment Health and Demographic Risk
	Stakeholder Opposition	Controversial Sourcing Community Relations	
	Social Opportunities	Access to Communications Access to Finance	Access to Health Care Opportunities in Nutrition & Health
Governance	Corportate Governance	Ownership & Control Board	Pay Accounting
	Corporate Behaviour	Business Ethics Tax Transparency	

Source: [29].

Kölbel, Heeb, Paetzold, and Busch have concluded that the concept of investor impact is only beginning to leave a significant impact on the SI industry. Currently, most funds that invest follow ESG principles, either excluding firms operating in harmful industries or focus on companies that have in the past performed well on metrics of ESG performance. This is a static approach which ignores that impact is fundamentally about change. Companies can and do change over time, and investors make an impact by triggering or accelerating such change. Shareholder engagement on the other hand is observed to be an effective mechanism through which investors can trigger reforms that improve the quality of company activities [31].

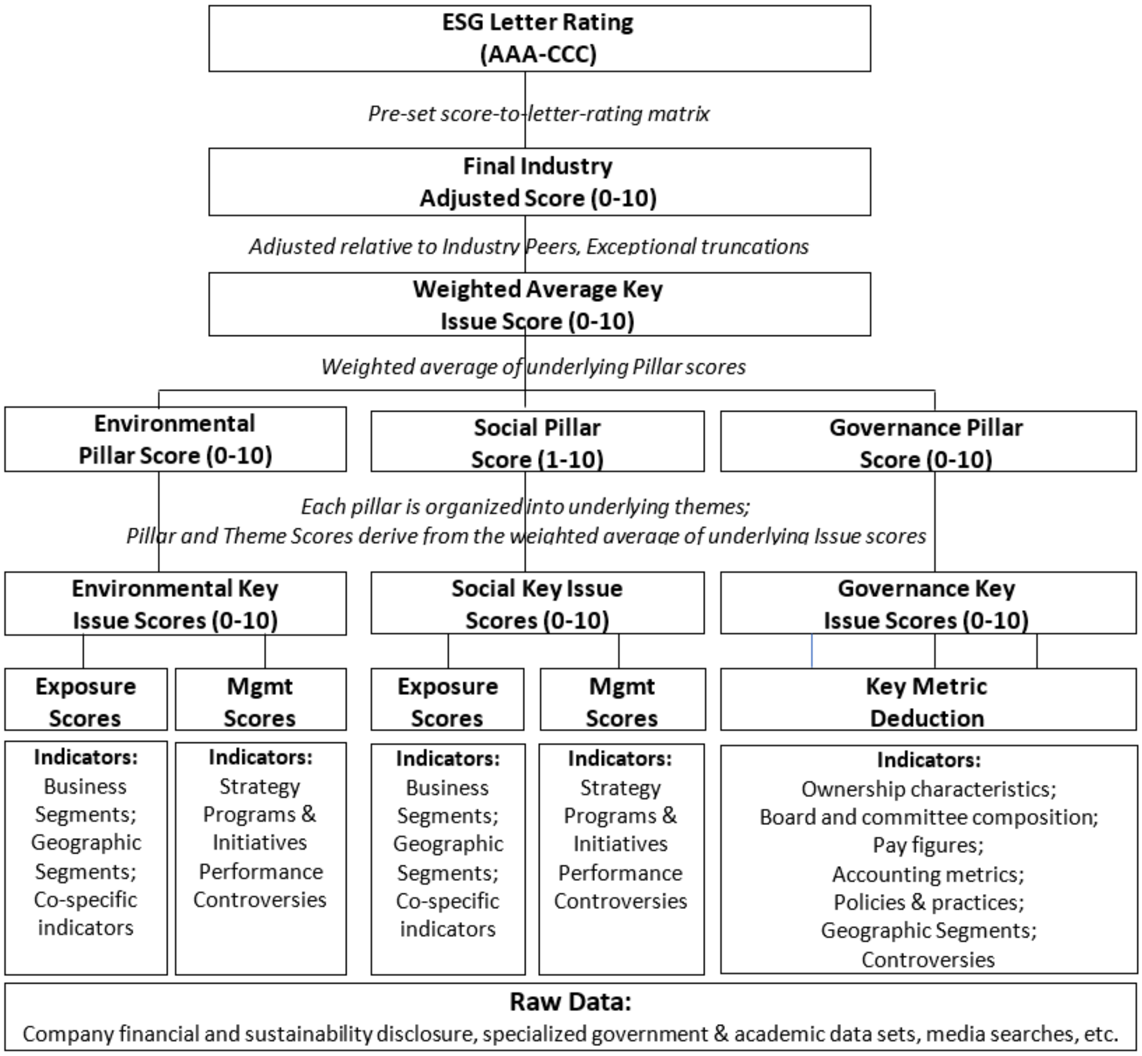

Figure 2. Hierarchy of MSCI ESG Scores. Source: [29].

According to Kölbel Heeb, Paetzold and Busch, three determinants have an important influence on the average rate of success of a company becoming more sustainable. The first determinant is the cost of the reform, which is generally associated with complying with ESG factors. Environmental issues tend to have lower success rates compared to social issues, and issues in the corporate governance domain have the highest rate of success. Reforms in the environmental domain are likely to be costlier than those in the governance domain, and requests that require some form of costly reorganization have lower success rates compared to requests that entail lower costs. Taken together, these findings indicate that the chances of success decrease as the costs of the requested reform rise. The second determinant is investor influence. There is evidence that engagement requests are more likely to succeed when the shareholder engaging holds a larger share of the targeted company. The third determinant is the company's level of ESG experience. ESG ratings play an important role in proving a company's ability to operate sustainably [31].

Shipeng Yan, Fabrizio Ferraro, and Juan (John) Almandoz found a number of causes affecting SRI funding. Firstly, by analysing the historical performance of SRI funds, they suppose the possibility of accurately predicting the current SRI founding. Secondly, GDP per capita growth leaves a positive impact on the level of socially responsible investments, indicating that a wealthier population is more likely to invest their savings in a socially responsible manner. Thirdly, trade openness and trade cohesion show a positive impact on SRI founding. Fourthly, the level of education shows significant effects on SRI founding, which can be interpreted as SRI entrepreneurs being more motivated to provide SRI funds as a finance-based solution to social problems. Fifthly, foreign direct investment (FDI) over GDP leaves a positive and significant effect, indicating multinational corporations' strong influence in the rise of the SRI industry [18].

Muhammad Naveed, Muhammad Khalid Sohail, Syed Zain ul Abdin, Madiha Awais, and Noshaba Batool found that there is a causal relationship between ESG information and individual investor asset allocation decisions. ESG information is important to determine the individual investor's risk tolerance and influences their asset allocation decisions. Their study shows that mainstream investors are concerned with governance and social information factors alongside the financial performance of the funds. ESG information affects asset allocation decisions. Governance and social dimensions of ESG are the most important factors affecting the risk tolerance of the individual investor. It is important for issuers to incorporate ESG information alongside, providing detailed financial information for investors on a regular basis. It is relevant to provide retail investors with ESG information so that they can make prudent investment decisions [32].

Amir Amel-Zadeh and George Serafeim found that investors use ESG information in their investment decisions because ESG information is significant to investment performance, and they consider it when making their investment decisions. Significant differences exist between US and European investors. A significantly smaller percentage of US investors (75%) compared to those from Europe (84%) consider ESG information in making investment decisions. The ESG information is used both for financial as well as for ethical motives. Considerable variations can be noticed across geographies. Ethical motives play a larger role in Europe compared to the US. European investors believe more strongly that engagement in sustainable investing can bring change in the corporate sector and address ESG issues. Generally, major investors use ESG information as a screening tool in the investment decision process. Thus, the financial literacy of small private investors in ESG is needed worldwide. Investors with a high ESG allocation and those from Europe are generally more optimistic about the financial impact of the different ESG strategies. [33].

2.2. Financial Literacy Improvement as Financial Well-Being Factor

The essence of financial literacy is the ability to make informed and substantiated decisions regarding personal finances. This is often related to such questions as financial resource spending for personal use, savings and deposits, and investments. This problem has been studied extensively, and many researchers, financial organizations, and various organisations have put forward different definitions related to several aspects of financial literacy and their significance (see Table 2).

Table 2. Definitions of Financial Literacy and its characteristics.

Organisations and Authors	Definition
OECD (2015)	The combination of awareness, knowledge, skills, attitudes, and behaviours is needed to make sound financial decisions and ultimately achieve individual financial well-being.
OECD (2020)	Includes access to, and use of, formal financial products and services, including digital ones; budgeting and managing finances in the short term; saving and investment; credit management; planning and saving for retirement and pensions; and risk management and insurance.

Table 2. *Cont.*

Organisations and Authors	Definition
President's Advisory Council on Financial Literacy (PACFL) (2008)	The ability to use knowledge and skills to effectively manage financial resources in times of financial well-being.
National American Council for Economic Education (2005)	The development of skills and knowledge acquisitions concerning financial matters to make effective decisions and implement activities that meet an individual's personal, family, and global community needs.
A. Lusardi and O. S. Mitchell (2014)	The ability of people to process economic information and make informed decisions about financial planning, wealth accumulation, debt, and pensions. the ability to apply knowledge to improve the financial position.
A. Lusardi and O. S. Mitchell (2006)	The ability and tools to plan and the ability to make retirement savings plans. Those with higher financial skills are more likely to save and invest in complex assets such as equities.
Lusardi and Tufano (2008)	The ability to make simple decisions regarding liability agreements, especially in terms of basic knowledge about interest rates within the context of everyday financial choices.
W. Sucuahi (2013)	Record-keeping, budgeting, personal finance, and savings were viewed to be more important to lower-income individuals.
Gale and Levine (2010)	The ability to make informed judgments and make effective decisions about the use and management of money and wealth.
Bernheim and Garrett (2003)	Not an isolated category but a specialized part of economic literacy related to the ability to provide income, move around the labour market, make payment decisions, and be aware of the possible consequences of one's decisions on current and future income.
National Strategy for Financial Literacy in Latvia 2021–2027 (2021)	The combination of financial awareness, knowledge, skills, attitudes, and behaviours needed to make sound financial decisions and ultimately achieve the well-being of individuals.

Source: Compiled by the authors using [34–45].

Despite a variety of definitions, most scientists and specialists agree that financial literacy is one of the key elements of education on economics; financial literacy is understood to pertain to the basic principles of economy and to include knowledge about economic matters and an understanding of main economic terms [37]. Financial literacy could be defined as the management of knowledge and abilities related to financial matters in order to take effective actions and make decisions with confidence in order to achieve a person's individual, family and social goals. It includes the ability to understand financial options and future plans, as well as spending carefully and managing problem cases that are caused by unemployment, saving for old age or children's education [40,41].

The most-cited researcher in the area, A. Lusardi, working with O. Mitchell, points out that financial literacy is the most important concept in economics and one which requires knowledge for making savings and decisions regarding investments. Financial literacy is an individual's competence and ability to demonstrate the acquired financial knowledge in practice [46]. Financial knowledge has a significant impact on household wealth. Financial knowledge is very important for individual financial decisions and depends to a large extent on their knowledge and understanding of their personal finances [47], just as an individual financial decision adopted level depends on financial knowledge, skills and attitudes [48].

The President's Advisory Council on Financial Literacy [39], convened to "improve financial literacy among all Americans", underlines personal financial literacy as more than just an opportunity to balance a checkbook, compare prices or get a job. It also includes skills such as long-term vision and future planning, as well as the discipline to use these skills on a daily basis. Furthermore, it recommends that improvement of financial literacy could be achieved through financial education: the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being [49].

This refers to the financial behaviour of individuals. It is the application of financial skills and the feedback of acquired financial knowledge. The improvement of financial behaviour depends on the availability of financial resources and financial services as well as personal attitude (Figure 3).

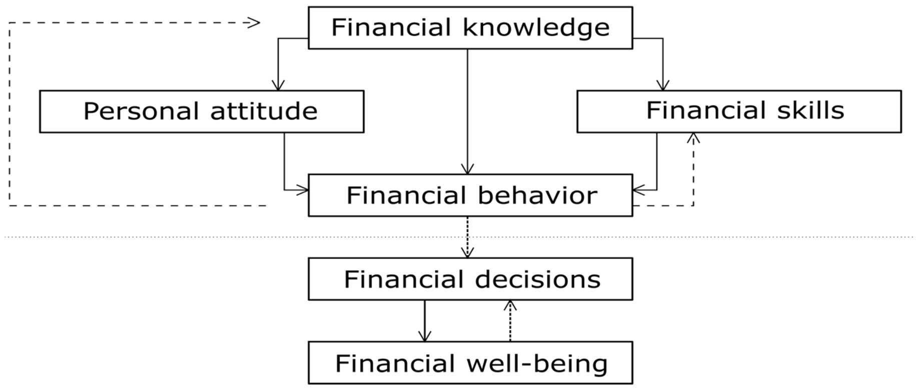

Figure 3. Conceptual model of financial literacy and financial well-being. Source: Compiled by the authors using [50,51].

A Survey of financial literacy schemes in the EU [52] presents two categories of reasons for financial literacy: the complexity of an individual's needs and the complexity of financial products in a structure as presented in Figure 4.

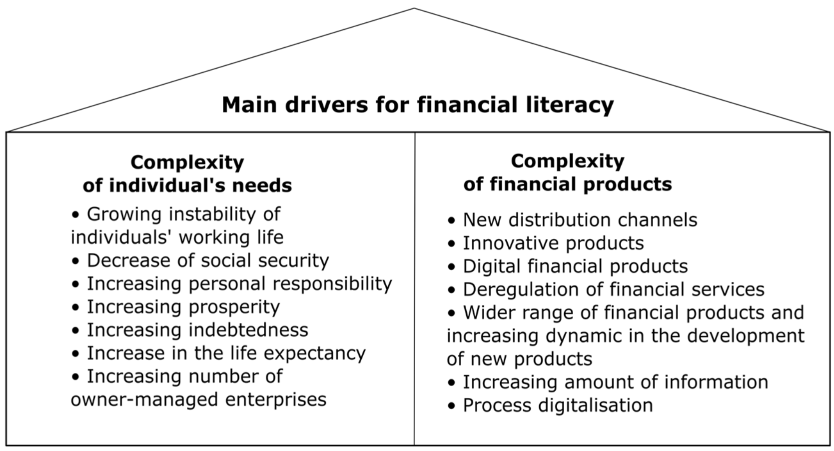

Figure 4. Main drivers for financial literacy. Source: Compiled by the authors using [35,52].

Having analysed various opinions related to financial literacy, the authors summarise financial literacy as a competency, ability, understanding and attitude which ensures a critical approach to the evaluation of financial matters and, thus, ability to make the right decisions. As to knowledge requirements, similarly to the OECD, the definition focuses on financial instruments, savings, investments, knowledge of main economics issues and budget matters [38]. Nowadays, such characteristics as understanding and use of digital and innovative financial products have become topical [53].

Unfortunately, financial literacy cannot be measured directly, and it is possible to educate oneself in financial matters by using practical experience and integrating actively that which has been learned [54]. A prerequisite for effective management of personal finances is an understanding of the principles of financial instruments [55]. The level of financial literacy could be measured by financial outcome, i.e., stock market participation [56]. Assessing the level of financial literacy, researchers came to the conclusion that although the understanding of the basic concepts of economics related to inflation and interest rate formation is far from perfect, it outperforms the limited knowledge of stocks and bonds, the concept of risk diversification, and the working of financial markets [57].

The low level of household financial literacy raises doubts about the quality and rationality of the process of financial decision-making. Financial education is aimed at improving those decisions by helping consumers to acquire the knowledge and skills needed to understand the choices they face [34]. Financial capability (the ability to make rational decisions about private finances) is a combination of financial literacy and financial behaviour whose purpose is to achieve financial well-being [58]. The choices made by low-skilled households often have a negative impact not only on decision-makers themselves, but also on their families and society [44].

Various studies on financial literacy and financial education show that financial education has a positive effect on financial behaviour and financial well-being. Measured insufficient level of financial literacy leads to poor pension planning, lower returns of investments, lower stock market participation and higher debt levels [34,59,60].

The concept of financial well-being constitutes security and freedom of choice that stems from financial situations and choices made regarding financial resources. The dynamics are interlinked to different political and historical events. Financial well-being has been a very topical issue over the years, but focus areas have changed and have constantly adjusted to developments in the world [61].

When assessing the situation in the USA, Germany, the Netherlands, Japan, and later in other countries, there was an opportunity to develop conclusions on the importance of financial awareness, financial literacy, financial behaviour, financial satisfaction, and financial wellness in decision-making. Financial literacy affects financial behaviour as it is related to an understanding of key concepts and ability to develop adequate skills to assess risks and develop efficient solutions, as well as motivation, and will improve the financial well-being at an individual and society level [40,57,62–65].

Latvia's financial literacy strategy defines financial well-being as a status characterized by both an individual's material security in a supportive environment and a perception of that status which includes satisfaction with material security, as well as a sense of security and trust [36].

A population cannot be treated as a homogeneous group of financial actors. Inhabitants have different strategies in coping with economic strain, varying by age and life course, social background, gender, and consumption attitudes and preferences. Thus, financial regulation and education should better acknowledge these differences and be flexible to specific consumer groups [5]. Alessie et al. found out that differences in response financial behaviour have a direct impact on the measurement of financial literacy and thereby on how results have to be interpreted. This applies to several dimensions, including the observed gender difference in financial literacy and the effect of gender on stock market participation [56].

Summarizing, the authors conclude that financial literacy is a crucial problem, which is becoming more and more important as the crisis has increased the need for financial literacy for individuals to manage their finances and keep their well-being. Politicians, authors and critics report that the problem is topical and that it continues to have a serious impact on macroeconomic and microeconomic processes. The results of the OECD study highlight the lack of financial literacy and financial sustainability for large sections of the population to cope effectively with day-to-day financial management, especially during the COVID-19 crisis, which has put significant economic and financial pressure on individuals and tested their ability to maintain their financial well-being [35].

Financial well-being is a status characterized by both an individual's material security in a supportive environment and a perception of that status which includes satisfaction with material security, as well as a sense of security and trust [36].

Social knowledge of and levels of education on financial matters in Latvia are not sufficient [36,66]. According to the Financial Literacy Survey of the Financial and Capital Market Commission in 2019, the Latvian Financial Literacy Index increased slightly since 2014 and reached 21.7 points out of a possible 99. The results of the survey provide the insight that in those five years the population became more satisfied with their financial situation, saved more, and more purposefully sought and evaluated information about financial products, but the amount of pensions among the Latvian population has always been low and digital financial literacy is not high [67]. It was topical to take broad measures, including educating society about financial literacy matters.

The authors believe that after the COVID-19 crisis, as the national economic indicators start to rise again and the standard of living improves, financial instruments and services will become more relevant to society. In order to achieve a long-term improvement in society's financial literacy, long-term measures, rather than separate actions, are necessary. An important an unresolved problem is the adjustment of education programmes to the new tendencies, as the studies show that the level of financial literacy is low among the young generations [68], and especially among elderly citizens [13].

2.3. Investors' Attitudes toward ESG Investing and Financial Well-Being under COVID-19

Researchers draw attention to the diverse impacts of the COVID-19 pandemic, including on health, well-being, and financial well-being. Moreover, it has been emphasized that financial well-being and fulfilment directly affect quality of life in general (mental health, relationships, joy, satisfaction with life) [69].

In 2020, the COVID-19 crisis demonstrated the importance of financial literacy for the world's population. Mainly researchers mention financial burden in different ways on both macro and micro levels [70–75], the impact on the purchasing power of households, consumption reaction in day-to-day decisions and demographic characteristics of a labour market, and financial status analysis [76]. The majority of studies assess tight financial status and stress related to the crisis [77,78].

In today's world, households are active participants in socio-economic relations, including financial relations. An individual makes decisions about the funds at his or her disposal, participates in long-term insurance, mortgage and pension schemes that increase personal responsibility for their own financial decisions and financial well-being, and the crisis has increased the need for financial literacy as an important tool for managing personal finances for their level of well-being to remain unchanged. As a consequence of the COVID-19 pandemic, the overall interest in ways and means of increasing financial well-being has grown. For example, Dr. Tan has analysed wealth change, and there has been increased interest in enterprises with larger market capitalization [79]. This aspect corresponds to other broader studies on the current situation in society, analysis of decision making, and the necessary involvement of public institutions.

The pandemic is having a devastating effect on the country's economy. The OECD conducted a study assessing financial skills in countries and concluded that "Financial literacy is low in all sampled countries and economies" [35]. In addition, the European

Central Bank reported that the workforce shrank by about 5 million in the first half of 2020 [80], that companies are closing or going bankrupt in many countries, and that the severe stock market downturn has reduced savings and pension investments. The current economic situation related to the COVID-19 pandemic forces consumers to use remote channels to access their finances [81]. Increasing uncertainty, reduced income, or a complete loss of livelihoods may lead to the financial ruin of households. For this purpose, the internet and mobile applications may offer alternatives to traditional financial service solutions. The prerequisite for the correct and safe use of modern tools is the necessary knowledge and skills, mostly digital not only financial [12,82,83]. Gradual improvement requires access to technology and improved financial education for all, especially the most vulnerable [84].

Trust in government is considered to be an important aspect that impacts financial well-being, since it provides security of individuals, the confidence of safety of their financial resources, especially in times if crises, such as the COVID-19 pandemic [69,85]. In this case, it should be noted that the trust in government to manage a crisis (pandemic) directly impacts the perception of society on their possible vulnerabilities, resilience against financial difficulties related to the pandemic [69], and the effect of different social factors [86,87].

The issue of financial education is becoming more and more important, which is mainly due to the dynamic development of the global financial markets [88]. Financial education is becoming a challenge.

Investing in sustainable businesses nowadays is becoming more profitable. Investors increasingly benefit from ESG investments. In addition to the good sense of investing in positive environmental and social change, adherence to sustainability criteria also means better-informed investment decisions. Companies with good ESG governance tend to be more profitable in the long run. This can partly be explained by the fact that environmentally friendly solutions are becoming more popular and attractive to businesses and their investors. Innovative technologies and digitalization of business processes provide much wider possibilities for entrepreneurs to be environmentally oriented and retain the business processes that are economically viable and profitable. Nowadays, digital technologies play an essential role in accomplishing long-term stability and help to reach sustainability goals in an environmentally friendly manner [16]. They are also better prepared for sudden crises than companies that do not follow the concept of sustainable management in overcoming, for example, a crisis in COVID-19.

According to a Statista survey in 2021, 82% of private investors worldwide plan to increase the allocation of ESG investments, which is 8% higher than the result recorded at the beginning of the COVID-19 crisis [89]. At its lowest level, at the end of March 2020, ESG indices performed better in all European markets than non-ESG-focused indices. European countries such as Sweden, Germany and France are the largest investors in green bonds, but Latvia does not currently stand out with its green bond issue. In this way, investors can not only improve their risk and reward profile with sustainable investments, but also benefit from new opportunities [90].

3. Results

3.1. Data and Research Methodology

As part of the empirical part of the study, a survey was created using the online tool Google Forms. The purpose of the survey was to find out the financial literacy of Latvian citizens and well-being and investment trends in the field of environmental, social and governance in the conditions of COVID-19. The survey was developed at BA School of Business and Finance and posted on the social network, Facebook; distributed by email via Outlook Mail to students and lecturers; sent via Gmail to the workplaces of the applied research group; and posted on the website [91]. Control measures were implemented to prevent re-submission of the survey from a single source. As the authors were not able to control the randomness of responding, the authors refer to the sample as not random and with limited statistical inference.

The survey was conducted in 2021. Statistical software JASP and Excel Pivot were used to analyse the obtained data.

Respondents were asked to provide the following basic information about themselves: age, education, net monthly income, and savings/investment experience. The sample of the study consisted of 349 Latvian inhabitants in the age group from 18 to 79 years, 123 (35.24%) of all respondents were men and 226 (64.76%) women. All respondents were divided into groups: employees in the private sector; employees in the state or municipal sector; entrepreneurs; pensioners; sole proprietors; students; and job seekers. From the answers of the respondents, the authors have concluded that the largest share of female respondents were employees in the private sector (42%) and then employees in the public sector (30%). Among male respondents, the largest proportion of employees in the private sector (34%) and then employees in the public sector (16%) and students.

A comparison of the sample and county-level demographics by age group and education level revealed dissimilarities. The sample was relatively slightly over-represented in the age group 18–24 and under-represented in the age group over 55 years. Moreover, the sample had a relatively higher share of respondents with higher education and a lower share with basic education compared to the Latvian population. However, in general, these deviations do not have a significant effect on the representativeness of the sample, as analysis of income structure proves the discrepancy between the sample and the distribution of the population was not statistically significant, as was confirmed by the chi-square test at the 95% confidence level.

The distributions of respondents by age groups, education level, monthly net income, and savings/investment experience is shown in the following table (Table 3).

Table 3. Characteristics of the sample.

Variable	***n***	**%**
Age group		
18–24	126	36.1%
25–34	72	20.6%
35–44	72	20.6%
45–54	53	15.2%
55–64	20	5.7%
65+	6	1.7%
Education		
Higher	211	60.5%
Secondary-special	30	8.6%
Secondary	93	26.6%
Basic	15	4.3%
Monthly net income		
<750	100	28.7%
750–1000	87	24.9%
1000–1250	53	15.2%
1250–1500	40	11.5%
1500–1750	19	5.4%
1750–2000	10	2.9%
2000–2500	21	6.0%
2500+	19	5.4%

Table 3. *Cont.*

Variable	n	%
Savings/investment experience		
More than one year	166	47.6%
Up to one year	81	23.2%
No experience	102	29.2%

As Table 3 and Latvian statistic data show, the largest share in terms of monthly net income after taxes was occupied by citizens and respondents with income below 750 EUR.

It was observed that both the total amount of net income of the Latvian population per month and the amount of income of the survey respondents per month after taxes are directly related. An important factor that needs to be assessed in order to come to conclusions about the respondents "willingness" to invest their savings is the level of net income and the respondents' demographic indicators as a place of residence. The highest net monthly income is observed in Riga, Riga agglomeration, and Vidzeme, where, in proportion to the respondents from these places of residence, a large part of the net monthly income exceeded 2000 EUR, furthermore there the highest monthly income–over 3000 EUR was found. The lowest proportional monthly income after taxes was for the respondents of Kurzeme region, where for many the net monthly income was below 750 EUR.

Establishing a relationship between the monthly income after taxes and the respondents' choice not to invest, it was observed that the lower the income level of the group of respondents, the greater the tendency was not to invest. 61% of all respondents with a lower income level (up to 750 EUR per month) indicated that they had not invested thus far.

Descriptive statistics regarding research variables including a number of observations (n), mean values (MV), standard error (SE), range and skewness were used. Respondents were also asked to rate to assess the financial situation, changes in income and expenses, and willingness to invest and change investment habits in accordance with the principles of ESG on the Likert scale from 1 to 5, where 1 describes "not important" and 5 "very important".

The authors checked the internal consistency of the measure, based on Cronbach's alpha (0.72), and the result was acceptable and can therefore be used for further hypothesis testing.

The authors have put forward the following hypotheses for the study:

Hypothesis 1: *The level of financial literacy of the Latvian population has improved since the beginning of 2020, based on the introduction of digital services in people's daily lives under the influence of COVID-19.*

Hypothesis 2: *The desire of the population to invest and to create savings has increased, as respondents are considering the possibility of gaining additional income and greater financial security under the influence of COVID-19.*

Hypothesis 3: *By raising the profile of more environmentally friendly and sustainable investment among investors and companies, the willingness of citizens to invest in the assets that meet environmental, social and governance criteria has been improved.*

Null hypotheses and alternative hypotheses are formulated for each stated hypothesis. For hypothesis testing, authors will use the proportion (P_i) of respondents who provided an affirmative (positive) answer to the questionnaire:

$$P_i = \frac{k_i}{n_i} \quad (1)$$

where k_i is the number of respondents who provided an affirmative (positive) answer to the ith questionnaire, and n_i is the number of respondents who provided any answers to the ith questionnaire.

For tests against hypothesized proportion, P_0, on total sample level null and alternative hypothesis is defined as follows:

$$H_0\text{: } P_i - P_0 \leq 0 \text{ and } H_A\text{: } P_i - P_0 > 0 \quad (2)$$

As the sample is simple random and independent, and $k > 120$ & $(n - k) > 110$, the difference of two proportions follows an approximate normal distribution and the test statistic is calculated as follows:

$$z = \frac{P_i - P_0}{\sqrt{P_0 * (1 - P_0)/n}} \quad (3)$$

A decision rule is to reject H_0 in favour of H_A, if z-statistic (z_{stat}) is larger than z-critical (z_α) values for ($\alpha = 0.05$):

$$z_{\text{stat}} > Z_\alpha \quad (4)$$

For tests at the sub-sample level, null and alternative hypotheses are defined as follows [90]:

$$H_0\text{: } P_i - P_j \leq 0 \text{ and } H_A\text{: } P_i - P_j > 0 \quad (5)$$

As sub-samples are simple random and independent, and $k > 90$ & $(n - k) > 65$, the difference of two proportions follows an approximate normal distribution and the test statistic is calculated as follows:

$$z = \frac{P_i - P_j}{\sqrt{P_c * (1 - P_c) * \left(\frac{1}{n_i} + \frac{1}{n_j}\right)}} \quad (6)$$

where the pooled proportion (P_c) is calculated as follows:

$$P_c = \frac{k_i + k_j}{n_i + n_{Mj}} \quad (7)$$

A decision rule is the same as defined above (4).

3.2. Research Results and Discussion

The empirical research show that a more significant trend for respondents is to invest money in low-risk and safe investments, which provide greater benefits in the long run than in pension funds, where 27% of all respondents invest, and life-saving insurance, where 17% of all respondents invest. Almost a fifth of all respondents note that they invest in real estate, which is indicated by 19% of all respondents. Only 7% of all respondents choose to invest in the development of green energy and in solving global problems.

The authors have assessed the financial position of respondents, changes in income and expenses, and willingness to invest and change investment habits in accordance with the principles of the EGS using the Likert scale. The results obtained are shown in Table 4.

Table 4. Descriptive statistics of study variables such as financial position, digital financial skills, willingness to invest, ESG investments under the COVID-19, and ESG investment in the future.

Variable	*n* (%)	MV	SE	Values Range	Skewness
Daily income trend	349 (100%)	3.221	0.058	1–5	−0.202
Daily expenses trend	349 (100%)	2.934	0.060	1–5	−0.003
Digital skills development and knowledge of financial services	349 (100%)	3.375	0.043	1–5	−0.087
Savings	349 (100%)	3.229	0.053	1–5	−0.237
Willingness to invest	349 (100%)	3.089	0.064	1–5	−0.233
Changes in perceptions of investment principles during COVID-19	349 (100%)	2.461	0.060	1–5	0.444
Changes in attitude towards the need to ESG investments during COVID-19	349 (100%)	3.570	0.074	1–5	−0.841
Changes in investment habits in favor of sustainable investment in the future during COVID-19	349 (100%)	3.120	0.080	1–5	−0.396

The authors conclude that, for the respondents during the pandemic crisis, daily income increased higher than daily expenses and respondents have mostly developed their digital financial literacy (MV-3.375) and have had savings (MV-3.229); moreover, respondents have changed their attitude toward ESG investments during the COVID-19 pandemic (MV-3.57).

When analysing the changes in the financial position of the respondents depending on their interest in current financial services, no correlation is determined. It can be concluded that with the increase in respondents' savings, it is not certain that their interest in current financial services will also increase. This confirms that the determining factor is not the respondents 'savings, but the respondents' financial literacy and the information on finances and investments that is used on a daily basis.

As a part of the hypothesis variables test, test statistics and corresponding *p*-values are summarized in Table 5.

Table 5. Variable values, test statistics and corresponding *p*-values for H1, H2, H3.

# Hypothesis	*n*	k	P_0	z_{stat}	*p*-Value
1	349	137	0.5	−4.0147	0.9999
2	349	121	0.5	−5.7276	0.9999
3	349	236	0.5	6.5840	<0.0001

As Table shows, calculated *z*-statistics are not larger than the critical value for the first and second hypotheses, so the authors cannot reject the corresponding null hypotheses for H1 and H2 and conclude that sample data does not provide sufficient evidence that the desire to create savings and to invest has increased and the level of financial literacy of the Latvian population has improved since the beginning of 2020 under the influence of COVID-19.

As calculated, the *z*-statistic is higher than critical values for the third hypothesis, and therefore, the authors reject the corresponding null hypothesis and conclude that sample data provide strong evidence to support the alternative hypothesis. Furthermore, conclusions that the willingness of the Latvian population to invest in the fields of environment, society and governance has been improved are also supported by low *p*-values (<0.01).

The following additional questions arose during the study:

- whether the improvement of the level of financial literacy since the beginning of 2020 depends on the level of education, income level and savings/investment experience of the Latvian population;
- whether the increase in the desire to create savings and to invest since the beginning of 2020 depends on the level of education, income level and savings/investment experience of the Latvian population;
- whether the willingness to invest in the field of ESG depends on the level of education, income level and savings/investment experience of the Latvian population.

The proportions of respondents describing the impact of education on financial literacy, desire to create savings and to invest since the beginning of 2020 and willingness to invest in the field of ESG are summarized in Table 6.

Table 6. Proportions of respondents by education level and financial literacy, desire to invest and willingness to invest in the field of ESG.

Education Level	Financial Literacy	Desire to Invest	Investm. in ESG
Higher	43.1%	32.2%	72.0%
Secondary-special	23.3%	30.0%	66.7%
Secondary	36.6%	40.9%	59.1%
Basic	33.3%	40.0%	60.0%

The results of the survey are not surprising—as Table 6 indicates, individuals with higher education also have the highest financial literacy and desire to invest in ESG. As the results of the survey reveal, there is a higher level of financial literacy of people with basic education compared to those with secondary-special education, which could be related to the relatively small number of respondents with basic education.

The following figure indicates the associations between net income and financial literacy, desire to invest and accumulate available financial resources since the beginning of 2020, and willingness to invest in the field of ESG (See Figure 5).

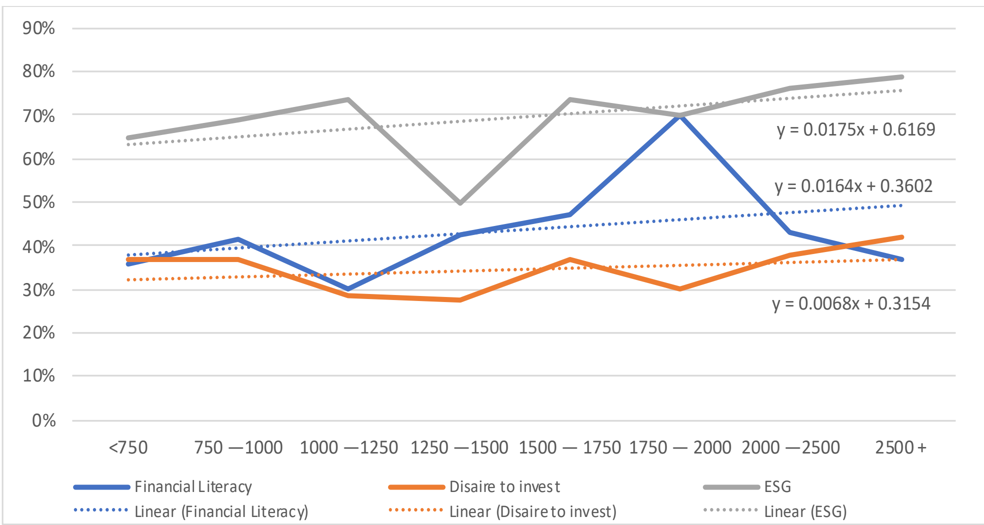

Figure 5. Associations of individuals' net income with financial literacy, desire to create savings and to invest since the beginning of 2020, and willingness to invest in the field of ESG. Source: Compiled by the authors based on survey results.

As trend lines in Figure 5 indicate, positive associations exist between individuals' net income and financial literacy, desire to invest and willingness to invest in financial assets with ESG criteria. Some deviations from the general trend are observed in the group of respondents with a net income between 1750–2000, but this could be related to the small number of responses in this group, which is in line with the situation in Latvia.

The increase in net income has a more significant effect on the willingness to invest in the field of ESG compared to the other two response variables.

The proportions of respondents describing the impact of savings/investment experience on financial literacy, desire to create savings and to invest since the beginning of 2020 and willingness to invest in the field of ESG are summarized in Table 7.

Table 7. Proportions of respondents by savings/investment experience and financial literacy, desire to invest and willingness to invest in the field of ESG.

Sav./Invest. Exper.	Financial Literacy	Desire to Invest	Investm. in ESG
>1 year	43.4%	36.7%	72.3%
<1 year	45.7%	40.7%	65.4%
No	27.5%	26.5%	61.8%

It can be seen from Table 7 that savings/investment experience has a significant impact on both financial literacy and the willingness to invest, especially in terms of the willingness to invest in ESGs.

Overall, the results of the current empirical research confirm the findings of similar studies—as net income increases so does the level of financial literacy and the willingness to invest [92,93].

The authors came to the conclusion that individuals with a higher level of education are more knowledgeable as they follow changes in the financial area under COVID-19, which can affect and improve their financial situation in the long run, as knowledge will allow them to adapt to unforeseen circumstances. The higher the respondent's assessment of changes in his or her digital and financial skills in COVID-19, the more he/she is interested in investing in sustainable development and environmentally friendly companies and the more supportive he/she will be of green thinking. There is a visible trend: the higher the respondents' assessment of their clarity on financial services, the more they invest, and the greater the diversification of investments for them than those who assess their clarity on financial services as insufficient.

The authors agree with Warchlewska, A., Jank, A., and Iwanski, R. (2021) [55] that a prerequisite for effective personal financial management is an understanding of the principles of financial instruments [60]. Although the understanding of the basic concepts of economics related to inflation and interest rate composition is far from perfect, it overcomes the limited knowledge about equities, bonds, and risk diversification, as well as the principles of the functioning of financial markets. These postulates are fully attributable to the Latvian population, which has been demonstrated by the study. Some relevant studies about COVID-19 in other countries can be found in [94–96].

During the COVID-19 crisis, the internet and mobile applications offer alternative solutions to the ones offered by traditional financial services. Current research underlines that the prerequisite for correct and safe use of modern tools is the necessary knowledge and skills, and not only financial skills but mainly digital skills [12,82,83]. The need for access to technology and improved financial education for all members of society, especially the most vulnerable, is very relevant at the moment [84]. The study revealed that, during the pandemic, the respondents' daily income had increased more significantly than respondents' daily expenditures. The respondents had mostly developed their digital financial literacy (MV-3.375).

According to Badia et al. [2] and Amir Amel-Zadeh and George Serafeim [33], the growing awareness about environmental, social, and ethical issues and the use of ESG information in developed countries have strongly influenced investors' decisions; nevertheless, significant differences exist between US and European investors. The use of ESG information is driven primarily by financial rather than ethical motives, but considerable variation can be noticed across geographies. As the results of empirical research present, the willingness of the Latvian population to invest in the fields of environmental, social and governance issues has risen (p-value < 0.01).

The authors support Lusardi and Mitchell [40,41] in defining financial literacy as the ability and tools to plan, as well as the ability to make retirement savings plans. Those individuals with higher financial skills are more likely to save and invest in complex assets such as equities [44]. The choices made by low-skilled households often have a negative impact not only on the decision-makers themselves but on their families as well. Age and lifestyle, social background, gender, consumer attitudes and preferences lead to the differences in financial behaviour and affect stock market participation [56]. A similar situation is currently observed in Latvia.

Various studies on financial literacy reveal that financial education has a positive effect on financial well-being. Furthermore, measured insufficient level of financial literacy leads to poor pension planning, lower returns of investments, lower stock market participation and higher debts [34,59–61]. The current survey results show that the improvement in the level of financial literacy since the beginning of 2020 has depended on the level of education of the Latvian population and savings accumulation/investment experience (p-value < 0.034).

Within the framework of this study, looking at respondents who positively evaluated the changes in their digital and financial skills under the influence of COVID-19, a correlation with their willingness to invest in sustainable development, green businesses and support of green thinking was observed. This relationship can be explained by the fact that sustainable development, "green thinking", and solving the world's current problems are the focus of those individuals who are only interested in global events in the world and factors influencing development. Those individuals not only choose to invest in profitable assets, but also provide support for the improvement on various ESG issues.

4. Conclusions

Summarizing the different interpretations of financial literacy from different sources, the authors conclude that financial literacy is a topical issue which is becoming increasingly important. The current crisis has increased the need for financial literacy as an important competency for individuals to manage their personal finances and maintain their financial well-being. Politicians and researchers report that the problem is still relevant and continues to have a serious impact on macroeconomic and microeconomic processes. The results of the OECD study highlight the lack of financial literacy and financial sustainability for a large proportion of the population to deal effectively with day-to-day financial management, especially during the COVID-19 crisis, which is testing their ability to maintain financial well-being.

Recent studies reveal that companies with effective ESG management tend to be more profitable in the long run. These companies are more resilient and better prepared for sudden crises like COVID-19 than others that do not follow the concept of sustainable investments. Additionally, ESG indices have performed better than non-ESG indices in all European markets during the crisis. Thus, by investing in the ESG, individuals can not only improve their risk and reward profile, but also improve their long-term financial well-being.

As the OECD and FCMC surveys show, the level of financial literacy and welfare of society in Latvia is insufficient, thus extensive measures must be taken, including improvements in the field of public education on financial literacy. Following the COVID-19 crisis, countries' economic performances are expected to start to pick up again and living standards to improve, so financial instruments and services, including investments in the ESG, will become more relevant to institutional and private investors. Long-term improvements in individuals' financial literacy require long-term measures, such as the development of digital skills and lifelong learning, rather than individual actions.

The analysis of statistical data convincingly proves that the desire of the Latvian population to invest in environmental, social, and governance issues has increased, indicating that the willingness to invest in the ESG sector depends on the level of education, which is also confirmed by the low p-value. At the same time, the authors believe that the sample data provide sufficient evidence to the statement that the difference between respondents' levels of monthly income and savings/investment experience influences the willingness to invest in the ESG sector and that individuals with savings/investment experience and relatively higher income were more interested in investing in the ESG sector.

The authors conclude that Latvian inhabitants with a higher level of education are more knowledgeable as they follow changes in the financial sector under COVID-19, which can affect and/or improve their financial well-being in the long run, as knowledge allows them to adapt to unforeseen circumstances.

It can be concluded that the willingness of Latvian citizens to invest in the ESG sector is relatively high. Those investments are not carried out widely at the moment because citizens often now choose a higher return on investment, rather than participation in the solving of global problems. Therefore, improvement of the education system and involvement of citizens in solving environmental issues is needed.

In order to improve the financial literacy and financial well-being of Latvians aged between 18 and 79, financial institutions and other companies operating in the financial sector should update their principles of financial security, as well as promote and contribute to sustainable development, to ensure investors' financial well-being, even in unforeseen economic situations.

For further research, it would be advisable to expand the circle of respondents and conduct an in-depth study on financial literacy in Latvia, as well as financial behaviour and willingness to invest in ESG for different groups of respondents depending on age, gender, income level, education, occupation, and place of residence, and to conduct a comparative study of Latvian population investment habits in comparison with other countries.

To obtain high-quality results and deepen the research, the authors recommend conducting structured research focused on different parts of Latvian society. This will allow for more accurate results to be obtained, for the formulation of conclusions about investment habits within different parts of society, and for more precise analysis of the financial literacy of these groups.

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