


# Chapter 5

## Green and Renewable Energy Financial Literacy Affecting Economy, Society, and Governance (ESG) in Mexico

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### ABSTRACT

*This research delves into the intricate relationship between green and renewable energy financial literacy and its impact on Environmental, Social, and Governance (ESG) practices in Mexico's changing economic landscape. The study attempts to investigate how financial literacy regarding sustainable energy investments influences the performance of ESG on economic, social, and governance factors in the Mexican context. Through a careful examination of available literature, policy guidelines, and empirical data, this research discovers that greater financial liter-*

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*acy in green and renewable energy sectors has a direct correlation with improved ESG performance, which results in sustainable economic development, social advancement, and governance culture in Mexico. The study concludes that strategic actions to increase financial literacy in renewable energy investments are required for Mexico's sustainable development trajectory and ESG leadership in the Latin American region.*

## **INTRODUCTION**

The intersection of renewable energy investment, financial literacy, and Environmental, Social, and Governance (ESG) principles is a fundamental front in Mexico's sustainable development agenda. As Mexico ramps up its aggressive renewable energy plans and intensifies its ESG emphasis, the role of financial literacy as a facilitator of well-informed decision-making in green investment has only become increasingly pivotal. This research bridges an essential gap in knowledge towards the understanding of the effect of financial literacy in green and renewable energy on ESG outcomes in the Mexican environment.

Mexico's transition to energy is the most ambitious sustainable development endeavor in Latin America.

The country has also implemented legislative frameworks through the Energy Transition Law (Ley de Transición Energética) and General Climate Change Law (Ley General de Cambio Climático), with the goal of achieving 35% of electricity generation from renewable sources by 2024 (Trade.gov, 2024). The shift occurs in a broader context of rising global interest in ESG metrics that have now become integral to investment decisions, corporate governance, and green growth models worldwide. The significance of this research relies on the realization that financial literacy serves as a critical mediating factor between policy intentions and actual implementation of sustainable energy schemes.

While Mexico has exhibited significant leaps in renewable energy installation, with capacity growing exponentially over the past decade, the success of these investments to meet broader ESG objectives largely depends on the financial literacy of key stakeholders like investors, policymakers, business leaders, and civil society organizations.

Current literature points to important knowledge gaps regarding the exact mechanisms through which financial literacy impacts ESG performance in emerging markets like Mexico. Most current literature aims at developed economies or examines financial literacy and ESG separately without considering the complex interdependence of these variables in a given country's context. This research aims to close the gap by undertaking a comprehensive analysis of the influence that green

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