



Editorial

Editorial for Special Issue “Sustainable Investing and Financial Services”

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1. Introduction

The convergence of environmental responsibility and the finance sector is transforming worldwide investment markets and corporate operations in the current century. This Special Issue now comes to a close. I am pleased to summarize the eight selected research papers and discuss research gaps available.

This Special Issue arrives at a suitable time because sustainable investment portfolios have exceeded \$35 trillion worldwide. This investment category now accounts for more than a third of total assets under management, raising questions about misleading environmental claims, discussions regarding ESG criteria significance, inconsistent disclosure practices, and uncertainties about whether sustainable finance delivers genuine environmental and social benefits. The eight selected papers present empirical evidence and critical examination that illuminate both the promise and intricacies of sustainable finance, examining how environmental, social, and governance (ESG) factors are incorporated—or face challenges in being incorporated—into investment choices, business strategies, and policy structures across different geographical areas.

2. Overview of Contributions

This Special Issue covers varied topics including how consumers behave, funding for clean energy, how ESG funds perform, investments in circular economies, how companies share information, and leadership changes. Their contexts covered include both developing and developed economies, including Kosovo, Albania, Vietnam, China, and Brazil, as well as the United States. Such wide geographic coverage demonstrates that sustainability issues are worldwide and that sustainable finance works in many different contexts. The papers are summarized briefly in the following sections.

2.1. Consumer-Centric Sustainability and Business Performance

Lulaj et al. (2024) provide important insights into how consumer expectations affect sustainable business growth in Kosovo and Albania. Their analysis of 400 people, including 200 consumers and 200 businesses, shows that consumer preferences have a strong impact on business sustainability. The study highlights that sustainable business models should focus on not just environmental and social responsibility but also key consumer values like fair pricing, product quality, accessibility, clear information, and easy service. This viewpoint reminds us that sustainability is not just about following rules; it is a key strategy rooted in market dynamics and relationships with stakeholders.



Received: 25 March 2026

Accepted: 26 March 2026

Published: 27 March 2026

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2.2. Financial Development and Renewable Energy Transitions

Van Nguyen (2024) examines the paradoxical relationship between financial development and renewable energy consumption in Vietnam and Southeast Asian countries over a 52-year period (1970–2022). Employing multiple econometric techniques including Driscoll–Kraay standard errors and Dynamic Ordinary Least Squares, the research reveals a counterintuitive finding: financial development negatively impacts renewable energy consumption, reflecting the persistent dominance of fossil fuels in energy financing. While foreign direct investment positively influences renewable energy adoption, increased per capita income shows a negative relationship—suggesting that economic growth in these contexts remains tethered to carbon-intensive energy sources. These findings show a big gap between the growth of the financial sector and the shift of investment toward clean energy. This raises important questions about what policy actions are needed to align financial support with climate goals.

2.3. ESG Fund Performance: The China Context

Wong and Li (2024) provide important evidence about how ESG funds perform in China's open-end equity fund market. Their analysis shows complex connections between management fees, ESG scores, and investment performance. Notably, Chinese ESG funds do not charge more than regular funds and often have better risk-adjusted performance at moderate ESG score levels. However, funds with very high ESG scores tend to have the worst risk-adjusted performance. This suggests there may be trade-offs or inefficiencies when ESG integration is taken to extremes. This relationship challenges simple views about ESG and financial performance, emphasizing the need for smart, balanced ESG strategies instead of just aiming for the highest scores.

2.4. Circular Economy Investments: Performance and Challenges

Fang and Parida (2024) provide a comprehensive assessment of circular economy funds, analyzing 15 investment vehicles across mutual funds, ETFs, and venture capital/private equity structures. Their findings are sobering: circular economy mutual funds and ETFs charge significantly higher fees (0.93–1.94% annually versus 0.44% average), assume higher systematic risk (beta 1.06–1.2), yet consistently underperform benchmarks with negative alphas ranging from –9.245% to –3.24%. Despite being rated as sustainable and low-carbon, these funds have not delivered competitive financial returns, raising important questions about the maturity of circular economy business models, the expertise required to identify viable circular economy investments, and the realistic expectations investors should hold for this emerging asset class.

2.5. Corporate Social Responsibility and Enterprise Value in High-Polluting Industries

Shi and Wang (2024) investigate the value implications of corporate social responsibility (CSR) and carbon information disclosure among Chinese firms in highly polluting industries (2018–2022). Their empirical analysis demonstrates that CSR fulfilment significantly enhances enterprise value (coefficient 0.044, $p < 0.05$), while carbon information disclosure both directly improves corporate performance (coefficient 0.032, $p < 0.01$) and positively moderates the CSR–value relationship (moderating effect 0.238, $p < 0.01$). These findings show strong evidence that transparency and accountability mechanisms, especially in sectors with significant environmental impacts, create real economic value. They may do this by reducing information gaps, building stakeholder trust, and improving risk management.

2.6. Sustainability-Linked Bonds: An Emerging Frontier

Machado et al. (2025) provide a detailed review of the emerging literature on sustainability-linked bonds (SLBs). Unlike traditional green bonds that are tied to specific

projects, SLBs connect financial terms to the issuer's success in meeting certain sustainability targets. This gives them more flexibility while still holding issuers accountable. The review points out important research gaps, such as pathways for achieving net-zero emissions, the credibility of climate targets, pricing differences, risks of greenwashing, and how blockchain can improve transparency. The authors also highlight challenges like the lack of standardized performance indicators, inconsistent verification methods, and difficulties in assessing credit risk. As SLB issuance grows worldwide, these research areas become more urgent to ensure market integrity and real-world impact.

2.7. Sustainability Reporting Quality in Banking

Pacheco and Branco (2025) assess the quality of sustainability reporting among banks in Brazil using GRI reporting principles and SDG content frameworks. Their evaluation shows that the overall reporting quality is low, with some banks having medium quality and others very low quality. Private, publicly traded banks in Brazil that use integrated reporting frameworks received the best evaluations, but even these do not meet international best practices. The findings highlight a key challenge in sustainable finance: the ongoing gap between what banks say they will report and the actual quality of their reports. Without high-quality, comparable sustainability information, investors, regulators, and other stakeholders cannot properly evaluate banks' sustainability performance or hold them accountable.

2.8. CEO Turnover and Climate Change Exposure

Chulkov (2025) investigates how changes in executive leadership relate to corporate climate change exposure. He uses machine learning to analyze conference calls on earnings from over 2000 publicly traded companies in the U.S. The research shows that CEO turnover is linked to higher climate change exposure, especially in the year after a CEO leaves. Notably, forced departures, like firings or resignations, and external CEO hires are strongly connected to increased climate exposure. However, retirements and internal promotions do not show this link. These findings suggest that boards might respond to rising climate risks by changing their leaders. Alternatively, new CEOs from outside may cut back on climate-related disclosures, raising questions about whether leadership changes help or hurt corporate climate action.

3. Relevance to Recent Changes in Sustainable Finance

The papers in this Special Issue address recent changes in sustainable finance.

3.1. Regulatory Momentum and Standardization

Financial regulators worldwide are working to standardize sustainability disclosures and include climate-related risks in oversight. Initiatives like the EU's SFDR and CSRD, ISSB standards, and the SEC's climate proposals show a push for consistency. However, the papers reveal gaps between regulatory goals and actual market conditions.

3.2. Mainstreaming ESG Integration

ESG considerations are now part of mainstream investing. Major asset managers, pension funds, and sovereign funds are committing to net-zero targets and ESG integration. Yet challenges like varying ESG ratings, debates on financial relevance, and political pushback persist. The mixed results for ESG and circular economy funds in this issue reflect ongoing tensions between sustainability goals and financial results.

3.3. Innovation in Sustainable Financial Instruments

The range of sustainable finance products has quickly expanded beyond green bonds to include sustainability-linked bonds, transition bonds, blue bonds, and social bonds. This

growth shows that different sustainability issues need different financial solutions. The review of SLBs in this issue highlights both their potential and risks, especially regarding standardization and greenwashing.

3.4. Technology and Data Revolution

Advancements in AI, machine learning, satellite imagery, and big data are changing how sustainability performance is measured and reported. For example, Chulkov (2025) uses machine learning to analyze climate change exposure in earnings calls, showing how technology can provide deeper insights into corporate sustainability beyond self-reported data.

4. Further Research

Despite advancements, this Special Issue identifies significant research gaps requiring further exploration.

4.1. The Financial Returns Dilemma: Are Sustainable Investments Profitable?

The empirical findings on the financial performance of sustainable investments remain inclusive. Shi and Wang (2024) demonstrate beneficial effects of CSR and carbon disclosure initiatives in China, whereas Fang and Parida (2024) document persistent underperformance in circular economy funds. However, Wong and Li (2024) identify complex connections between ESG ratings and investment fund outcomes. There should be more research to examine sectoral variations, regional differences, and temporal factors to resolve these conflicting results.

4.2. The Action Deficit: Translating Pledges into Practice

Multiple studies reveal substantial discrepancies between sustainability declarations and real implementation. Financial organizations may profess sustainability priorities while continuing to finance carbon-heavy ventures. Corporations frequently generate substandard sustainability disclosures, and certain funds promote themselves as sustainable without producing meaningful results. Scholars should investigate approaches to close these divides and ensure sustainable finance produces concrete benefits.

4.3. The Quantification Problem: Measuring What Matters

Unreliable and non-standardized sustainability indicators present a critical obstacle. Challenges encompass inadequate quality in banking sustainability disclosures, absent uniform KPIs for sustainability-linked bonds, and inconsistent correlations between ESG ratings and fund results. Subsequent research should prioritize creating improved frameworks for assessing sustainability impacts and verifying ESG evaluations.

4.4. The Decarbonization Financing Dilemma

Current sustainable finance initiatives predominantly target exclusively green operations. However, the studies suggest transition financing is essential for decarbonizing pollution-intensive sectors. Financial firms should strike a balance between enabling transitional initiatives and backing clean technologies. There should be interdisciplinary investigation to examine blended finance mechanisms, governmental guarantees, and policy-driven risk mitigation.

4.5. The Developing Economy Perspective

Some of the studies examine sustainable finance in developing nations including Vietnam, China, Kosovo, Albania, and Brazil. These territories encounter obstacles such as immature regulatory systems and diverse stakeholder interests. Research must customize

sustainable finance approaches for these environments and evaluate how development finance entities can advance sustainability alongside economic expansion.

5. Conclusions

The eight papers highlight a significant shift in sustainable investing from niche to mainstream within the global financial system. However, fundamental tensions remain. These include gaps between commitments and actual implementation, the balance of financial performance and impact, the need for standardization versus context-specific approaches, and the conflict between the quantity and quality of disclosures.

As guest editor, I find the methodological rigor and international relevance of these papers encouraging. They provide valuable insights for investors, companies, and policymakers. However, substantial challenges remain in redirecting the global financial system—managing hundreds of trillions in assets—toward sustainability. This requires fundamental changes in valuing assets and assessing risks.

I hope this Special Issue inspires further inquiry and collaboration, catalysing innovations that promote economic prosperity, environmental stewardship, and social equity. I thank the authors and peer reviewers for their contributions and the editorial team at the *International Journal of Financial Studies* for their support. I invite readers to engage with these works and contribute to the ongoing dialogue for positive change.

Funding: This research received no external funding.

Conflicts of Interest: The author declares no conflicts of interest.

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