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Investor Trust and Green Investment Adoption in Emerging Markets: A Critical Integrative Review of ESG Disclosure, Assurance, and Greenwashing

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Abstract

Investor trust is frequently invoked to explain participation in sustainable finance, yet the literature uses heterogeneous indicators of trust, ESG perceptions, investment intentions, and observed allocations. This critical integrative review examines the conceptual and empirical connections among disclosure quality, third-party sustainability assurance, perceived greenwashing, institutional credibility, and green-investment decisions, with emphasis on emerging-market settings. The review uses a purposive, concept-led selection of published studies to compare the evidentiary roles of disclosure, assurance, and greenwashing, without claiming exhaustive coverage. A documented experiment involving non-professional investors in China supports an association between ESG assurance and investment willingness, but its mediating construct is perceived ESG performance rather than directly measured investor trust. Other cited work examines disclosure, market liquidity, governance, and greenwashing at different levels of analysis, limiting direct comparison. The synthesis proposes a contingent pathway from decision-useful disclosure and credible verification to claim credibility, trust, intention, and potential investment behavior. It identifies the importance of distinguishing trust targets, actual investment from intention, and emerging-market evidence from cross-market context. The article provides an evidence-calibrated research agenda without making unsupported pooled-effect or PRISMA compliance claims.

Keywords: Investor trust; green investment; ESG disclosure; assurance; greenwashing; emerging markets; sustainable finance; integrative review

1. Introduction

Green investment products promise to connect financial allocation with environmental outcomes. Their appeal nevertheless depends on two separable evaluations: whether an investment meets ordinary financial objectives and whether its sustainability representations can be relied upon. An investor may believe that a product offers competitive returns yet distrust the claimed environmental benefits; alternatively, a credible environmental claim does not establish that the instrument is suitable for the investor's risk tolerance or liquidity needs.

Information asymmetry is especially consequential where sustainability metrics are difficult to compare, third-party verification varies in quality, and enforcement capacity differs across markets. Such institutional heterogeneity motivates attention to emerging economies but also cautions against treating them as a homogeneous category. The review therefore considers emerging-market examples while explicitly identifying evidence that cannot be generalized beyond its observed population.

Existing discussions often treat ESG awareness, favorable ESG perceptions, investor confidence, and trust as interchangeable. They are not. Awareness refers to knowledge; perception concerns appraisal of reported performance; trust involves reliance on a particular actor or claim under uncertainty; intention is a stated behavioral plan; and adoption requires a transaction or actual allocation. Conflating these constructs can exaggerate what an empirical study establishes.

This article asks:

1. What role can trust plausibly play between sustainability information and green-investment decisions;
2. How might disclosure quality and independent assurance alter the credibility of sustainability claims;
3. How might greenwashing perceptions weaken these relationships;
4. Which institutional and measurement boundaries restrict inference? Its contribution is an explicitly critical, theory-informed synthesis rather than a claim to a new causal estimate.

2. Conceptual foundations

2.1. Trust targets and investment outcomes

Trust in sustainable finance is not a unitary variable. The conceptual distinction between trust and related attitudes is consistent with established organizational trust theory (Mayer et al., 1995). Investors may rely on the

issuer's environmental reporting, an asset manager's screening process, an independent assurance provider, or a regulator's capacity to sanction deception. These targets are analytically distinct and may be only weakly correlated. For instance, investors may distrust a fund sponsor while regarding the external assurance provider as technically competent.

Investment intention and actual adoption also require separate treatment. A stated willingness to buy a green bond does not demonstrate a subsequent purchase; observed stock-market reactions are not individual-level measures of trust. Empirical synthesis should preserve the level of analysis and outcome actually measured.

2.2. Disclosure as a signal

Signaling theory (Spence, 1973) offers a mechanism by which better sustainability disclosure could reduce information asymmetry. A signal is informative when recipients can assess its relevance, verifiability, and susceptibility to imitation. More disclosure is not necessarily better disclosure: unstructured narrative claims may overwhelm users, while inconsistent metrics may hinder comparisons across issuers and periods. Studies of Chinese listed companies have explored relationships between ESG disclosure quality and stock liquidity, a market outcome that should not be relabeled as investor trust (Cao et al., 2024).

2.3. Assurance and credibility

Independent assurance can increase the perceived reliability of sustainability information, but its informational value depends on provider independence, assurance scope, evidence quality, and visibility to investors. Gao and Chen (2024) used experiments with non-professional participants in China and found greater investment willingness under ESG assurance conditions. They also reported that separately presenting assurance and increasing the breadth of assured indicators affected responses. Crucially, their mediation analysis examined perceptions of corporate ESG performance; it did not directly establish that investor trust was the mediator. The experiment therefore provides targeted evidence on investment willingness and perceived ESG performance, not a universal estimate of trust-driven adoption.

Assurance is not inherently a guarantee of substantive environmental performance. An assurance opinion can address a limited set of indicators and still leave important claims outside its scope. The literature on governance of greenwashing highlights the need to examine how assurance practices interact with incentives to selectively report favorable information (Bu et al., 2024).

2.4. Greenwashing and institutional trust

Greenwashing refers to misleading or unsupported representations of environmental performance. It can arise from selective disclosure, ambiguous labels, or differences between promoted commitments and verifiable outcomes. Its relevance to investment depends on whether investors detect or anticipate such discrepancies. Dempere et al. (2024) discuss greenwashing in sustainable finance, providing useful contextual analysis; a discussion of this kind should not be counted as an investor-level experiment. Regulatory enforcement, assurance standards, and the credibility of financial intermediaries may alter the consequences of suspected greenwashing, but the direction and size of these interactions require empirical testing.

3. Review design and analytical procedure

This study adopts a critical integrative review design to develop an explanatory framework across conceptually related but methodologically heterogeneous finance research. Unlike a systematic review, an integrative review can juxtapose empirical findings, conceptual arguments, and institutional mechanisms without estimating a pooled effect or claiming exhaustive coverage. Its purpose here is theory development and critical comparison, not estimation of the prevalence or average effect of investor trust.

3.1. Source identification and selection

The review draws on a purposive set of peer-reviewed articles selected for their relevance to four analytically defined mechanisms: (i) ESG disclosure and information asymmetry; (ii) independent assurance and perceived credibility; (iii) greenwashing and skepticism; and (iv) investor perceptions, intentions, and investment decisions. Core studies were identified from the author's prior literature collection and checked against identifiable journal publications. Selection privileged direct relevance and the ability to distinguish what a study actually measured. Because dated database exports and a complete search log are unavailable, the selection is not presented as comprehensive or reproducible; no PRISMA diagram or numerical inclusion count is claimed.

3.2. Analytical comparison and safeguards

For each focal source, the review distinguishes the study context, analytical level, principal exposure, reported outcome, and implications for the proposed trust mechanism. Experimental evidence on investment willingness is interpreted separately from observational firm-level associations and conceptual analyses. Claims about mediating trust are made

only where trust itself was measured. This approach reduces construct substitution but does not remove selection bias. The conceptual propositions are interpretive and require independent empirical testing.

3.3. Scope

The focus is on emerging-market investment decisions, with China as a documented example rather than a proxy for all emerging economies. Studies from other settings are used for conceptual context, not counted as emerging-market observations. The terms green investment and ESG investing overlap but are not synonymous; green investment specifically denotes products or allocations linked to environmental objectives, while ESG investment may also reflect social and governance criteria.

4. Critical synthesis of evidence

4.1. What the strongest directly relevant evidence establishes

Gao and Chen (2024) provide a particularly informative case because the study manipulated assurance information in experimental settings involving non-professional participants in China. Their results indicate that assurance characteristics can influence stated investment willingness. The experiment reduces some confounding within the task, yet external validity remains limited by the participant population, hypothetical decisions, and specific presentation materials. The findings do not demonstrate that comparable effects will occur for institutional investors, executed green-bond purchases, or all emerging economies.

Zhang et al. (2024) examined investor perceptions of ESG performance and investment intentions in China's stock market. Their study is relevant to behavioral responses to sustainability information but should not be interpreted as measuring green-product adoption without reviewing its outcome definition. Taken together, these sources suggest that perceived sustainability performance can matter to stated investment decisions; they do not yield a common causal estimate of investor trust.

4.2. Disclosure, market outcomes, and unit-of-analysis mismatch

Evidence on ESG disclosure quality and stock liquidity (Cao et al., 2024) helps explain how sustainability information may be incorporated into market processes. However, improved liquidity may arise through mechanisms other than individual trust, including reduced adverse selection or increased analyst attention. Firm-level or market-level associations should not be aggregated with investor-level survey responses as if they estimate a single construct.

Likewise, assurance can affect perceptions of issuer credibility, perceived performance, or investment willingness through distinct pathways.

A rigorous future systematic review should classify each study according to exposure, trust measurement, mediator, dependent variable, sample, and geographic scope before drawing conclusions about convergence.

4.3. Greenwashing as a boundary condition

The concept of greenwashing helps explain why sustainability disclosure may fail to function as a credible signal. Investors who perceive an inconsistency between a product label and supporting evidence may discount reported information or require stronger verification. Yet the literature uses varying operational definitions: investor perceptions of deception, measured discrepancies in disclosures, and firm-level governance practices are not equivalent. Without comparable measures, it is more defensible to propose that greenwashing can weaken credibility than to assert a uniform quantified negative effect on investment adoption.

4.4. Emerging markets are not a single institutional environment

Investor protection, reporting rules, fund availability, financial literacy, and capital-market depth vary across emerging economies. Research based on China can offer important insights but does not automatically apply to other countries. Evidence from developed exchanges can enrich theoretical discussion without being counted as direct emerging-market evidence. Future comparative designs should specify the classification scheme for emerging markets, document the observation year, and test whether institutional differences alter the relationship between disclosure, credibility, and actual investment.

4.5. Evidence-to-claim correspondence

The studies discussed above support different types of inference. Gao and Chen (2024) address experimental investment willingness and perceived ESG performance under assurance conditions; they do not directly establish trust-mediated actual purchases. Zhang et al. (2024) examine perceptions and investment intentions in a Chinese equity-market setting, rather than executed green-instrument transactions. Cao et al. (2024) analyze firm-level disclosure and stock liquidity, which cannot be treated as a psychological measure of trust. Bu et al. (2024) and Dempere et al. (2024) inform governance and greenwashing mechanisms, rather than providing a comparable estimate of investor-level adoption. These distinctions are essential to the credibility of the integrative argument.

5. Integrative framework and propositions

The proposed sequence is: decision-useful ESG disclosure and credible assurance → perceived reliability of sustainability claims → trust in a specified issuer, intermediary, or verification institution → investment intention → actual adoption, conditional on financial constraints. This sequence is conceptual rather than an estimated structural model.

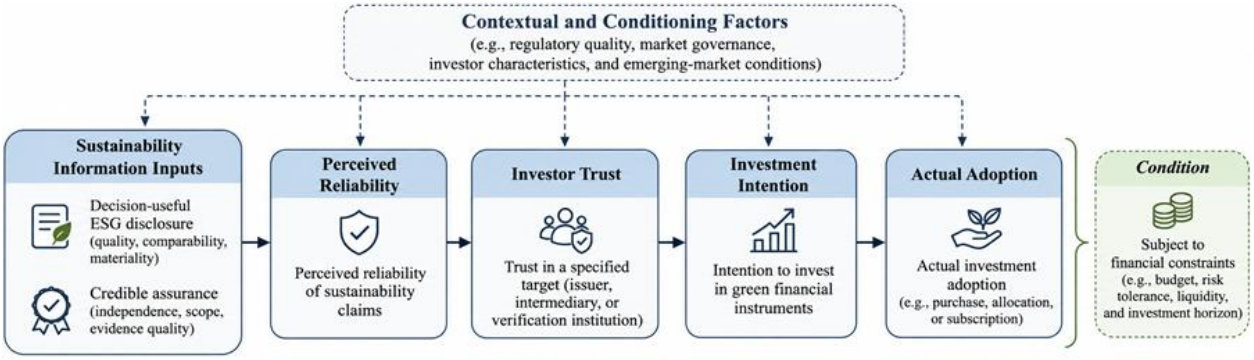


Figure 1: Conceptual pathway linking ESG disclosure, assurance credibility, investor trust, and green investment adoption

- Proposition 1. Greater verifiability and comparability of sustainability claims are associated with greater perceived claim credibility, conditional on investor comprehension and information relevance.
- Proposition 2. Independent assurance contributes more to perceived credibility when its scope, provider independence, and presentation are clear than when assurance is opaque or narrowly scoped.
- Proposition 3. Perceived greenwashing weakens the relationship between sustainability disclosure and trust; credible enforcement may moderate this weakening.
- Proposition 4. Trust predicts actual allocation less strongly when products are inaccessible, expensive, illiquid, or unsuitable for the investor's financial objectives.
- Proposition 5. The size and direction of these relationships differ across investor types and institutional contexts; they should not be presumed identical across emerging markets.

6. Implications for research, practice, and policy

For researchers, construct clarity is the immediate priority. Studies should separately measure trust in the issuer, intermediary, verifier, and regulator, and distinguish perceptions from realized portfolio choices. Experimental designs could manipulate assurance scope and independence, while longitudinal account-level studies could test whether stated intentions

translate into allocation decisions. Preregistration, objective outcome measurement, and transparent covariate reporting would improve credibility.
For issuers and fund managers, the analysis supports a focus on material and verifiable sustainability indicators rather than disclosure volume alone. Assurance should identify the subject matter and limitations of its opinion, and product marketing should distinguish verified outcomes from targets and forecasts. Investment advisers should evaluate ESG representations alongside conventional suitability considerations, including return expectations, liquidity, fees, concentration, and downside risk.
For regulators, consistent terminology, clear disclosure obligations, oversight of misleading claims, and transparent assurance requirements may reduce information frictions. These are plausible policy implications, not interventions proven effective by the present integrative review. Policy evaluations should use observed outcomes and credible comparison groups.

7. Limitations

This review used a purposive, concept-led selection of available published sources rather than a fully documented reproducible search. The illustrative evidence is therefore susceptible to selection bias, and relevant studies may have been omitted. The sources differ in population, study design, geography, and outcome measures. The article cannot estimate an average effect, determine publication bias, or establish causal relationships across settings. Its theoretical propositions require testing. The purposive search cannot establish that all relevant studies have been identified, and interpretations may be influenced by selective availability of published findings.

Conclusion

Trust is a plausible but insufficiently differentiated mechanism in green investment decisions. Credible sustainability disclosure and assurance may influence investor evaluations, while suspected greenwashing may erode the credibility of environmental claims. The most directly relevant experimental evidence reviewed here demonstrates effects on investment willingness and perceived ESG performance, not verified market-wide adoption mediated by trust. A careful distinction among constructs, outcomes, and institutional contexts offers a stronger basis for future empirical work than an unsupported claim of uniform effects across emerging markets. This integrative review proposes a testable framework and a research agenda for advancing evidence on sustainable finance.

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