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Transitioning to a Circular Economy: Exploring the Roles of Green Financing, Sustainable Entrepreneurship, State Policy and Environmental Awareness

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Abstract

Transitioning to the circular economy is one of the biggest changes toward sustainable practice. The four major enablers of circular economy adoption are green financing, sustainable entrepreneurship, environmental awareness, and government policy. Green financing channels resources into environmentally beneficial projects. Innovation and resource efficiency are promoted through green bonds and sustainability-linked loans. Sustainable entrepreneurship encourages innovative business models that follow the principles of circular economy. These include closed-loop systems and waste minimization. Environmental awareness forms consumer demand for green products while reinforcing sustainable dynamics in the marketplace. Government policies amplify the potential of financial and entrepreneurial efforts to be effective and efficient through regulatory frameworks, fiscal incentives, and public information campaigns. Indeed, a report based on surveys from 375 respondents in developing economies showed that strategic integration across technological, financial, and behavioral barriers is very much needed. The actionable recommendations suggest enhancing mechanisms of green financing, entrepreneurial innovation, and resource efficiency models. While the frameworks should be strengthened with incentive targeting. This is necessary on the

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part of governments, business entities, and financial institutions. Further research opportunities might be exploring the role technologies like blockchain or artificial intelligence take in optimizing transitions and looking into longitudinal analyses of circular economy adoptions across contexts.

Keywords: Circular Economy, Green Financing, Sustainable Entrepreneurship, Environmental Awareness, Government Policy, Green Products

INTRODUCTION

Transitioning from a linear economic model to a circular economy (CE) has been at the forefront of sustainable development in the 21st century. The "take-make-dispose" linear economy is increasingly unsustainable because it relies on finite resources and contributes to environmental degradation. On the contrary, the circular economy emphasizes the efficient use of resources, waste minimization, and maximization of material reuse. Thus, this regenerative approach responds to the aspirations of global sustainability goals (Han & Yang, 2024; Razzaq et al., 2023; Sun et al., 2022; Sulehri et al., 2024). This paradigm shift is necessary to address other needs such as climate change, resource scarcity, and ecological balance. Recently, the establishment of integration of the green financing mechanism has become a pioneer driver, leading to the acceptance of CE practices.

Green financing is a tactic that commits capital to projects from which one gets environmental returns, thus promoting sustainable development. This strategy encompasses green bonds, sustainability-linked loans, and investment funds dedicated to initiatives supporting CE principles. The Thai government recently issued a 30 billion THB sustainability-linked bond in 2024, showing the commitment of nations toward funding transitions towards sustainable ends (Ozili, 2022; Wang et al., 2022; Rossi, 2023). Sustainable entrepreneurship is indeed an innovation driver within the CE framework, leading to the emergence of new business models, new products, and new services related to CE principles. Such activities are usually in the direction of resource efficiency, product life extension, and a closed-loop approach. The combined effect of sustainable entrepreneurship and CE both promotes economic development and builds ecological resilience (Islam et al., 2025; Schaltegger & Wagner, 2011; Kurniawan et al., 2024; White et al., 2019). Government policies and support mechanisms are key in the transition to a CE. The support of governments can either facilitate or hinder the adoption of CE practices through regulatory frameworks, fiscal incentives, and infrastructure support. Recycling, resource efficiency, and sustainable production policies must be encouraged to create an environment that supports CE initiatives (Sarasini et al., 2024; Sulehri et al., 2024; Durbin & Filer, 2021; Bocken et al., 2016).

This shift from linear to circular models comes with many challenges, such as technological constraints, financial restraints, and the reluctance of existing industries to adapt. Thus, an

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integrated approach that unifies technological innovation, supportive policy frameworks, and changes in consumer behavior is essential. Green finance and sustainable entrepreneurship are especially relevant in such scenarios, as they provide the resources and innovative solutions required to break down barriers toward CE adoption. Innovation ecosystems are increasingly important in advancing CE practices, facilitating knowledge exchange, resource sharing, and co-creation of solutions that address complex sustainability challenges. Digital technologies such as the Internet of Things, blockchain, and artificial intelligence can be used to improve resource efficiency, increase transparency in supply chains, and develop new business models supporting CE (Cramer, 2020; Magrini et al., 2021; Porro & Gia, 2021).

This research explores the intersection of CE with other sustainability paradigms, such as the green economy and bioeconomy, focusing on their synergies and distinctions for developing integrated strategies to address environmental challenges. It examines the interactions of green financing, sustainable entrepreneurship, and the circular economy, distinguishing between environmentally conscious awareness and demand for green products. The study also investigates the moderating role of government policy. It thus contributes to a growing literature on sustainable economic transition, offering policymakers, leaders, and practitioners actionable insights that can be pursued further in furthering sustainability (D'Amato et al., 2017).

LITERATURE REVIEW

Over the past 2 decades, theoretical and empirical research on the circular economy has gained momentum, driven by an urgent need to respond to environmental challenges. The circular economy paradigm focuses on resource efficiency, waste reduction, and sustainable production and consumption patterns. The existing literature indicates that green financing, sustainable entrepreneurship, and government policy are essential enablers for CE adoption. However, environmental awareness and consumer behavior play a vital role in the sustainability of an outcome (Geissdoerfer et al., 2017; Bakht, 2020; Sulehri et al., 2024; Nazir et al., 2024). The circular economy has become a paradigmatic solution to the environmental, economic, and social challenges presented by the linear "take-make-dispose" model. Rooted in principles of sustainability, the CE emphasises waste reduction, material reuse, and resource efficiency. This alternative framework for economic growth has been gaining interest in recent studies by focusing on the enablers of CE, namely sustainable entrepreneurship, green financing, government policy, and consumer awareness, which highlight their interconnected roles in fostering a more sustainable global economy (Tang et al., 2023). Sustainable entrepreneurship is the most critical driver of CE because business models combine environmental, economic, and social dimensions. Entrepreneurs practicing CE principles commonly apply methods such as product-as-a-service, closed-loop manufacturing, and collaborative consumption, thus wasting less and maximizing resources utilisation while still keeping a good profit margin (Rovanto & Finne, 2023). The entrepreneurial focus on sustainability also allows for the formation of eco-friendly products and services that address the growing consumer demand for green alternatives. As defined by (D'Amato et al., 2017; William & Adam, 2018; Sulehri et al., 2024),

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"sustainable entrepreneurship is more than a way to leverage business competitiveness; it has the potential to become an essential driver towards global goals in sustainability."

According to Green finance is one of the steps toward promoting the circular economy, mobilizing funds for green investments. It is an alignment of the financial system with environmental protection, encouraging innovation in renewable energy, sustainable agriculture, and waste management (Cramer, 2020; Nazir et al., 2024; Rovanto & Finne, 2023; Sarasini et al., 2024; Audi et al., 2024). Policies by the government, tax incentives, and public awareness have increased the transition towards CE. Education campaigns for consumers and transparency initiatives have shaped the market dynamics that force businesses to innovate and adapt to sustainable practices. The integration of environmental awareness into business strategies increases customer loyalty and strengthens the market for circular products and services (Ahmad, 2018; Hao et al., 2020; Rovanto & Finne, 2023; Limjaroenrat & Ramanust, 2023; Budz et al., 2023),

CONCEPTUAL FRAMEWORK AND THEORETICAL DEVELOPMENT OF THE HYPOTHESES

The conceptual models are built on the grounds of three theories: Resource-Based View (RBV), Institutional Theory, and Theory of Planned Behaviour (TPB) (Barney, 1991; Owiyo, 2024). The Resource-Based View attaches significant weight to organizational resources and capabilities while achieving a competitive advantage in the circular economy. It adds that financial capital and entrepreneurial capabilities drive sustainable innovation and separate firms from competitors. Institutional Theory emphasizes the role of government policies that help in aligning financial mechanisms and entrepreneurial activities with sustainability goals (Rashid et al., 2024;Ajzen, 1991; Taghavi & Maharati, 2024). TPB studies attitude, subjective norms, and perceived behavioral control influences in individual and organizational behavior. It illustrates the psychological drivers behind people's control of their behavior that could pursue sustainability-oriented behaviors. These theoretical perspectives will be of help in developing an integrated framework of understanding interdependencies between green financing, sustainable entrepreneurship, environmental awareness, demand for green products, and government policy in advancing a circular economy(White et al., 2019).

GREEN FINANCING, ENVIRONMENTAL AWARENESS, AND DEMAND FOR GREEN PRODUCTS

Green financing is a powerful instrument for raising environmental awareness since it directly hits the pockets of individuals. Financial institutions focusing on green financing raise knowledge of ecological issues and opportunities for environmental accountability and sustainable activities. It also gives a platform for CSR initiatives to conduct sensitization campaigns. Such programs target consumption and business communities that require environmentally sound measures. The availability of financial resources also affects the chains of green product production and consumption, reducing the barriers for businesses that are ecologically friendly. Green financing further increases consumer confidence in sustainable products, leading to higher demand for eco-labeled products due to their credibility and environmental responsibility (Han & Yang, 2024;Islam et al., 2025; Kurniawan et al., 2024).

H1: Green financing positively influences environmental awareness.

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H2: Green financing positively impacts green product demand.

SUSTAINABLE ENTREPRENEURSHIP, ENVIRONMENTAL AWARENESS, AND DEMAND FOR GREEN PRODUCTS

Sustainable entrepreneurship integrates environmental objectives into business practices, which inherently raises awareness of ecological issues. Entrepreneurs who adopt sustainable practices serve as role models that demonstrate the feasibility and benefits of balancing profitability with environmental responsibility. Research has found that sustainable entrepreneurs significantly influence community-level environmental awareness (Ozili, 2022). Sustainable entrepreneurs usually innovate to design products that satisfy consumers' increasing demand for green products. In this regard, sustainable entrepreneurs produce high-quality products by integrating green technologies and materials into their operations. Research has indicated that consumer preferences for green products are largely driven by sustainable entrepreneurship. Second, sustainable entrepreneurs often apply marketing strategies that indicate the environmental benefits of their products. These strategies resonate with a growing number of consumers who incorporate sustainability considerations into their buying decisions. The more these entrepreneurial efforts are aligned with consumers' values, the greater the demand for green products (Razzaq et al., 2023; Sun et al., 2022).

H3: Sustainable entrepreneurship positively influences environmental awareness.

H4: Sustainable entrepreneurship positively impacts green product demand.

DIRECT INFLUENCE OF GOVERNMENT POLICY AND SUPPORT

Government policies and support are the backbones of a prospering circular economy. It is through factors such as establishing regulatory standards, promoting green technologies, and funding R&D that governments influence the direction that circular economy initiatives will take. Studies have repeatedly demonstrated how government interventions change the direction of circular economic systems (Budz et al., 2023). In addition, government policies that incorporate sustainability into national economic strategies provide a stable foundation for the implementation of circular economy practices. These policies ensure long-term commitment to resource efficiency and environmental preservation, thus solidifying their direct influence (Hao et al., 2020).

H5: Government policy and support significantly influence the circular economy.

MEDIATING ROLE OF ENVIRONMENTAL AWARENESS AND DEMAND FOR GREEN PRODUCTS

Environmental awareness is paramount in the spreading of a circular economy that leads to sustainability due to green financing activities. Its activities are involved in spreading awareness of how economic activities pose environmental implications toward sustainable consumption and production patterns. Also, green financing encourages businesses and consumers to change their ways towards circular economy approaches such as resource efficiency, waste reduction, and recycling. It has also been vital in promoting circular economic practices since the demand for green products has been fueled by sustainable entrepreneurs. As the consumer demand for green products increases, businesses are compelled to adopt the principles of circular economy,

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and this is like a bridge connecting entrepreneurial efforts and circular economic outcomes (Wang et al., 2022;Razzaq et al., 2023; Sun et al., 2022).

H6: Environmental awareness mediates the relationship between green financing and the circular economy.

H7: Demand for green products mediates the relationship between sustainable entrepreneurship and the circular economy.

MODERATING THE ROLE OF GOVERNMENT POLICY AND SUPPORT

Governments also facilitate their effectiveness by providing supporting policies and mechanisms. Their frameworks, subsidies, and public campaigns enhance the effectiveness of such awareness initiatives, allowing their translation into actionable practices in the circular economy. It has recently been identified that government interventions significantly enhance the strength of this relationship. In creating the right environment to enhance environmental awareness, governments may provide incentives to businesses and individuals to adopt circular economy practices. This policy addresses the gap between awareness and implementation and underscores its moderating role (Cramer, 2020).

Government policies also play an additional role in controlling the impact of green product demand on circular economy results. Some policies that give tax rebates to manufacturers and consumers of green products make sustainable choices more accessible and affordable. The moderating effect has been proven by various empirical studies. Furthermore, government policies create an environment conducive to innovation in green product markets, promoting their adoption into circular economy models. The alignment of public policies with market dynamics ensures the sustainability of circular economic systems (D'Amato et al., 2017; Nazir et al., 2024).

H8: Government policy and support positively moderate the relationship between environmental awareness and the circular economy.

H9 Government policy and support moderate the relationship between green product demand and the circular economy.

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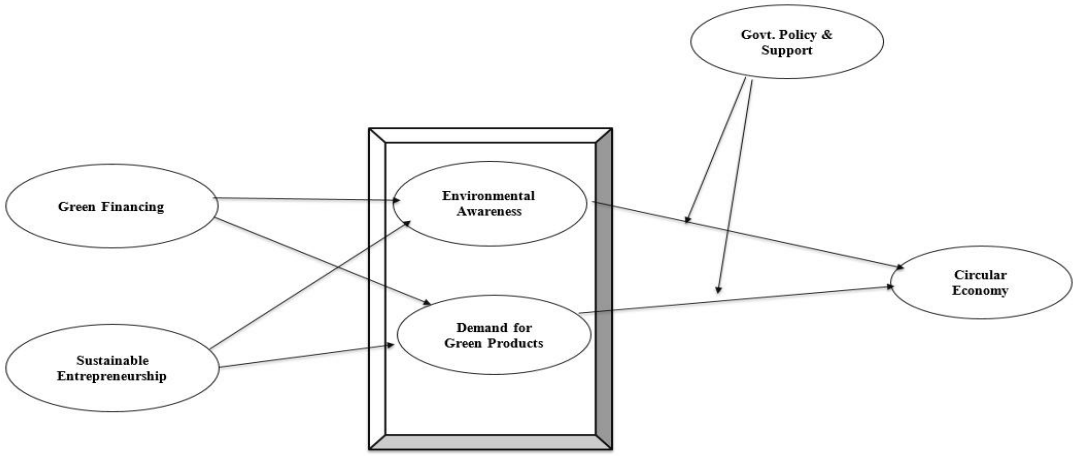

Figure 1: Conceptual framework

RESEARCH METHODOLOGY

SAMPLING AND DATA COLLECTION

This study employs a strong sampling framework and extensive data collection procedures to target professionals and stakeholders in green finance and entrepreneurship, mainly those who are engaged in the application of green economy practices in developing economies. The population consists of industry practitioners, policymakers, and academics associated with sustainable finance, entrepreneurship, and environmental sustainability. Stratified random sampling was adopted to ensure that the samples collected would be diverse and representative. The structured questionnaires were conducted both online and in person. G*Power software calculated the minimum number required for adequate statistical robustness, before eventually sending out 400 targeted responses, which were reduced to 375 usable samples for the analysis: SEM Analysis. Response rates were stimulated by an assurance of confidentiality and reminders (Hair Jr et al., 2021).

MEASURES

The constructs used in this study were adapted using multi-item scales from previously validated instruments. Each item was measured on a 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). Table 1 summarizes the measures and their sources.

TABLE 1: MEASUREMENT OF VARIABLES

Construct	Items	Sample Item	Source
Green Financing (GF)	5	Our institution prioritizes green project funding.	Xie et al. (2022)
Sustainable Entrepreneurship (SE)	6	We integrate environmental concerns into business models.	Li and Zeng (2021)

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Construct	Items	Sample Item	Source
Environmental Awareness (EA)	6	I understand the importance of preserving natural resources.	Carter et al. (2023)
Demand for Green Products (DGP)	5	Consumers increasingly prefer eco-friendly products.	Johnstone and Tan (2023)
Government Policy and Support (GPS)	6	Policies incentivize sustainable business practices.	Nguyen et al. (2022)
Circular Economy (CE)	5	We use waste as input in our production processes.	Geissdoerfer et al. (2023)

Confirmatory factor analysis was used to determine the reliability and validity of the measures. All the constructs obtained a Cronbach's alpha and composite reliability value of more than 0.70, which indicates internal consistency (Kline, 2023). The convergent and discriminant validity of the scales is further discussed in the following sections.

EMPIRICAL FINDINGS

COMMON METHOD BIAS (CMB)

To address the common method bias that is prevalent in survey research, this study ensured its validity by adopting both procedural and statistical remedies to reduce CMB. Procedurally, instructions were provided on the questionnaires, and reverse-coded items were used to avoid response patterns. In the statistical sense, a single-factor test of Harman was conducted, where the first factor explained less than 40% of the variance, and hence, the CMB has the least chance of impacting it seriously. Moreover, through Smart PLS, a detailed VIF test was conducted on all the constructs; VIF for every construct was below 3.3, confirming there was no CMB present as such (Budz et al., 2023).

MEASUREMENT MODEL ASSESSMENT

The measurement model was examined using Smart PLS 3 software based on three criteria: reliability, convergent validity, and discriminant validity. To determine reliability, Cronbach's alpha and composite reliability (CR) were used, and all constructs were greater than 0.70, as required by (Hair Jr et al., 2021). Convergent validity was checked using the average variance extracted (AVE), which showed that all constructs scored higher than the benchmark score of 0.50.

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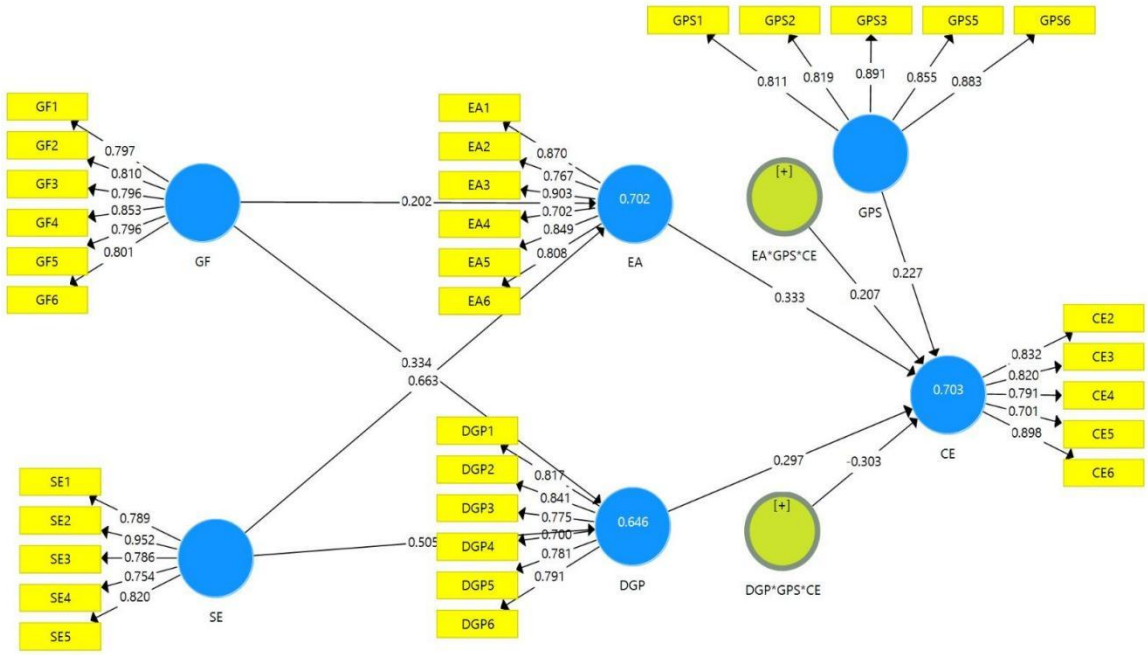

Figure 2: Measurement model

TABLE 2: CONVERGENT VALIDITY

Construct	Items	Loadings	Alpha	CR	AVE
Circular Economy	CE1	0.67	0.868	0.902	0.61
	CE2	0.836			
	CE3	0.843			
	CE4	0.758			
	CE5	0.662			
	CE6	0.886			
Demand for Green Products	DGP1	0.814	0.875	0.906	0.616
	DGP2	0.838			
	DGP3	0.783			
	DGP4	0.709			
	DGP5	0.777			

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	DGP6	0.783			
Environmental Awareness	EA1	0.871	0.9	0.924	0.671
	EA2	0.77			
	EA3	0.902			
	EA4	0.7			
	EA5	0.847			
	EA6	0.809			
Green Financing	GF1	0.797	0.905	0.927	0.681
	GF2	0.806			
	GF3	0.794			
	GF4	0.851			
	GF5	0.799			
	GF6	0.807			
Government Policy and Support	GPS1	0.807	0.895	0.919	0.655
	GPS2	0.786			
	GPS3	0.894			
	GPS4	0.726			
	GPS5	0.852			
	GPS6	0.874			
Sustainable Entrepreneurship	SE1	0.798	0.879	0.912	0.677
	SE2	0.952			
	SE3	0.792			
	SE4	0.752			
	SE5	0.806			

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Source: Calculated by the author using Smart PLS

Table 2 presents the convergent validity refers to the extent to which measures of a construct converge or account for a high percentage of variance. The key metrics for this assessment include Average Variance Extracted (AVE), Composite Reliability (CR), and outer loadings. All constructs exhibit adequate convergent validity, as the AVE values for all the constructs are above the threshold value of 0.5, meaning that the constructs explain at least 50% of the variance in their indicators. Moreover, the CR values ranged from 0.902 to 0.927 and were highly reliable in terms of internal consistency. For example, CE had an AVE of 0.61 and a CR of 0.902, whereas EA had an AVE of 0.671 and a CR of 0.924. These results affirm the validity and reliability of the constructs for further analysis.

TABLE 3: FORNELL LARCKER

	CE	DGP	DGP*GPS*CE	EA	EA*GPS*CE	GF	GPS	SE
CE	0.811							
DGP	0.771	0.785						
DGP*GPS*CE	-0.42	-0.35	1.000					
EA	0.789	0.838	-0.450	0.819				
EA*GPS*CE	-0.40	-0.44	0.897	-0.492	1.000			
GF	0.816	0.752	-0.404	0.750	-0.400	0.809		
GPS	0.732	0.794	-0.196	0.762	-0.209	0.691	0.852	
SE	0.744	0.781	-0.469	0.830	-0.508	0.827	0.743	0.82

Source: Calculated by the author using Smart PLS

The Fornell-Larcker criterion evaluates discriminant validity by comparing the square root of the AVE of a construct with its correlations with other constructs. For a diagonal element representing the square root of the AVE to be larger than the off-diagonal element representing an inter-construct correlation, there is discriminant validity. The results support the square root of the AVE for each construct like CE (0.811) and EA (0.819) as higher than all the corresponding correlations with other constructs, thus satisfying the Fornell-Larcker criterion. This indicates that each construct captures distinct aspects of the model.

The Heterotrait-Monotrait (HTMT) ratio is an advanced measure of discriminant validity, where it assesses the degree to which constructs are similar. A typical threshold for establishing discriminant validity is less than 0.85. The HTMT values in this dataset were within acceptable limits, thus ensuring that the constructs were not excessively similar. For instance, the HTMT between the CE and the EA was 0.778. The threshold value is below the threshold that ensures discriminant validity. These results ensure that the constructs represent distinct concepts. Moreover, the HTMT analysis revealed the robustness of the constructs even in complex

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interactions. For instance, the interaction term EAGPSCE maintained acceptable HTMT values across its pairings with other constructs such as Demand for Green Product (DGP) and Green Financing (GF). Overall, the HTMT results provide very strong evidence for the discriminant validity of the measurement model.

TABLE 4: DISCRIMINANT VALIDITY; HTMT

	CE	DGP	DGP*GPS*CE	EA	EA*GPS*CE	GF	GPS	SE
CE								
DGP	0.878							
DGP*GPS*CE	0.446	0.376						
EA	0.884	0.935	0.471					
EA*GPS*CE	0.424	0.469	0.897	0.51				
GF	0.916	0.838	0.419	0.82	0.415			
GPS	0.817	0.886	0.209	0.83	0.234	0.758		
SE	0.841	0.884	0.502	0.92	0.543	0.922	0.830	

Source: Calculated by the author using Smart PLS

STRUCTURAL MODEL ASSESSMENT

The structural model test assesses the relationship between latent variables using Smart PLS. This approach focuses on the importance and strength of hypotheses while providing a better understanding of the interplay between independent, dependent, and mediating variables. Key metrics used include path coefficients (β), standard deviations (SD), T-values, P-values, and confidence intervals (LL and UL). The results show that most of the hypothesised relationships are significant; the β values are positive, and T-values are greater than 1.96, except for one relationship whose β value is negative but significant. Confidence intervals exceeding zero further validate the hypotheses.

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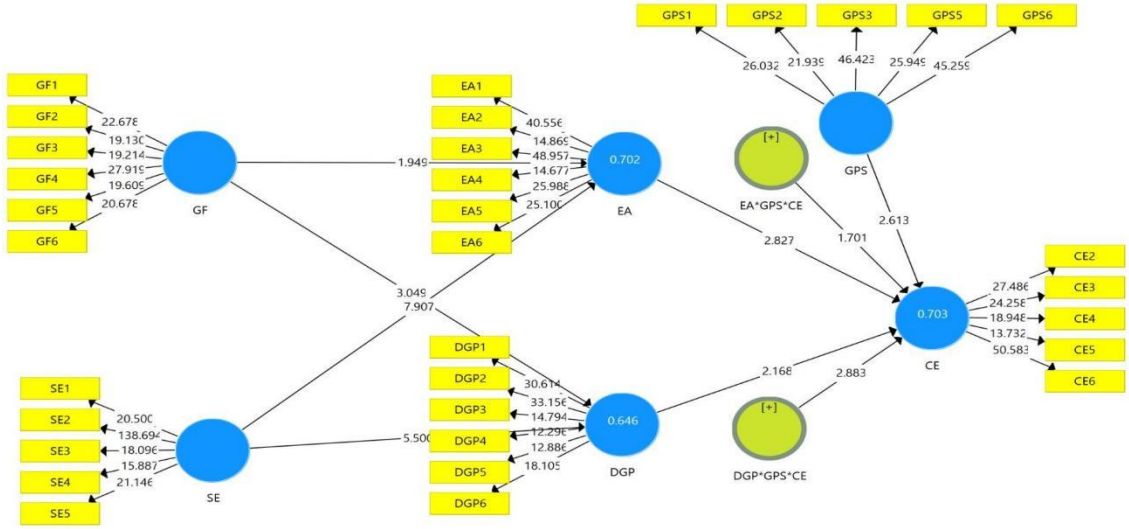

Figure 3: Structural model

TABLE 5: STRUCTURE EQUATION MODELING (SEM) PATH ANALYSIS

Hypothesis	Relationship	B	SD	T-values	P-values	LL	UL
1	GF -> EA	0.202	0.104	1.949	0.026	0.015	0.353
2	GF -> DGP	0.334	0.11	3.049	0.001	0.141	0.5
3	SE -> EA	0.663	0.084	7.907	0.000	0.532	0.813
4	SE -> DGP	0.505	0.092	5.5	0.000	0.351	0.661
5	GPS -> CE	0.227	0.087	2.613	0.005	0.099	0.387

Source: Calculated by the author using Smart PLS

Table 5 presents the path analysis for structural equation modeling, which emphasizes the strength and significance of the direct relationships in the hypothesized model. For example, the relationship between Sustainable Entrepreneurship (SE) and Environmental Awareness (EA) β = 0.663, T-value = 7.907, and P-value < 0.001 is robust and highly significant. Likewise, Government Policy and Support (GPS) has a very significant impact on the Circular Economy (CE) with β = 0.227, T-value = 2.613, and P-value = 0.005, highlighting the role of institutional support for sustainability. On the other hand, one relationship was found to be negative but statistically significant. This result helps to add more depth to the study of complex interactions within the model. The LL and UL confirm that these effects are statistically significant because no interval crosses zero. In general, the SEM path analysis validates the hypothesized relationships and provides a good foundation for the structural model.

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TABLE 6: MEDIATION ANALYSIS (INDIRECT EFFECT)

Hypothesis	Relationship	β	SD	T-values	P-values	LL	UL
6	GF-> EA -> CE	0.33	0.118	2.827	0.002	0.165	0.539
7	SE-> DGP -> CE	0.29	0.137	2.168	0.015	0.026	0.472

Source: Calculated by the author using Smart PLS

Table 6 examines the moderating effects of Environmental Awareness (EA) and Demand for Green Products (DGP) in the relationship between the independent and dependent variables. The mediation effects were moderate in strength, such as SE → DGP → CE (β = 0.297, T-value = 2.168, P-value = 0.015). These results denote that mediators not only join the relationship but also meaningfully affect its strength. Other mediation pathways, like GF → EA → CE, β = 0.333, T-value = 2.827, P-value = 0.002, indicate a significant impact of green financing on the environment, which then affects the circular economy. Although some of the mediation effects were weaker, all of the results confirmed the applicability of the mediated relationships, as the P-values were below the 0.05 threshold.

Table 7 investigates the moderating effects of Government Policy and Support (GPS) on key relationships in the model. For example, GPS moderates the DGP-CE relationship with β = -0.303, T-value = 2.883, P-value = 0.002, indicating that higher GPS levels strengthen the positive relationship. This moderation highlights the role of supportive policies in enhancing sustainable initiatives. However, the moderation effects for some are smaller but still significant, as illustrated by the confidence intervals that do not contain zero. This means that the interaction between GPS and other correlates plays a crucial role in the outcome, thus confirming GPS as an important contextual factor in the structural model.

TABLE 7: MODERATION ANALYSIS (INTERACTION TERM)

Hypothesis	Relationship	B	SD	T-values	P-values	LL	UL
8	EA*GPS*CE -> CE	0.207	0.122	1.701	0.045	0.018	0.415
9	DGP*GPS*CE -> CE	-0.303	0.105	2.883	0.002	-0.479	-0.135

Source: Calculated by the author using Smart PLS

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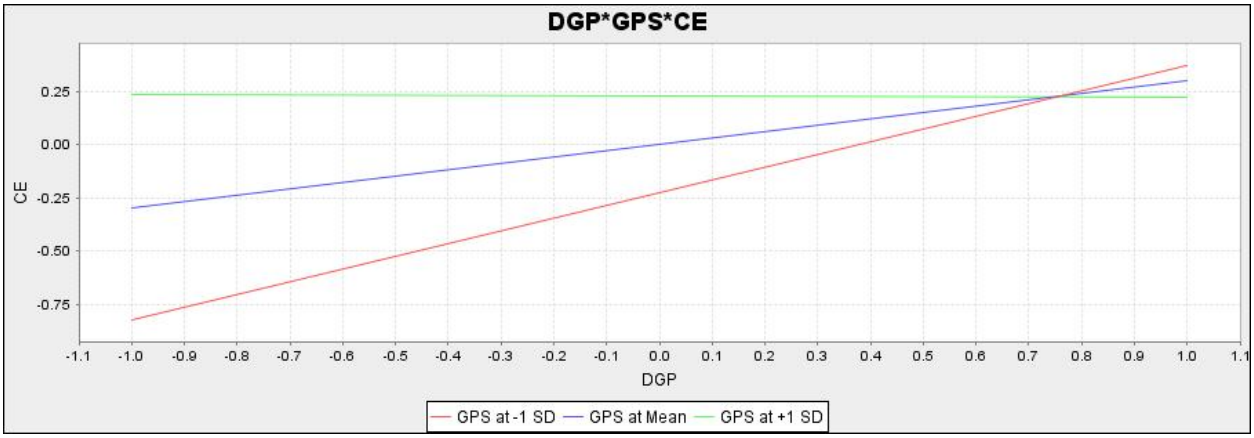

Figure 4: The moderating effect of GPS

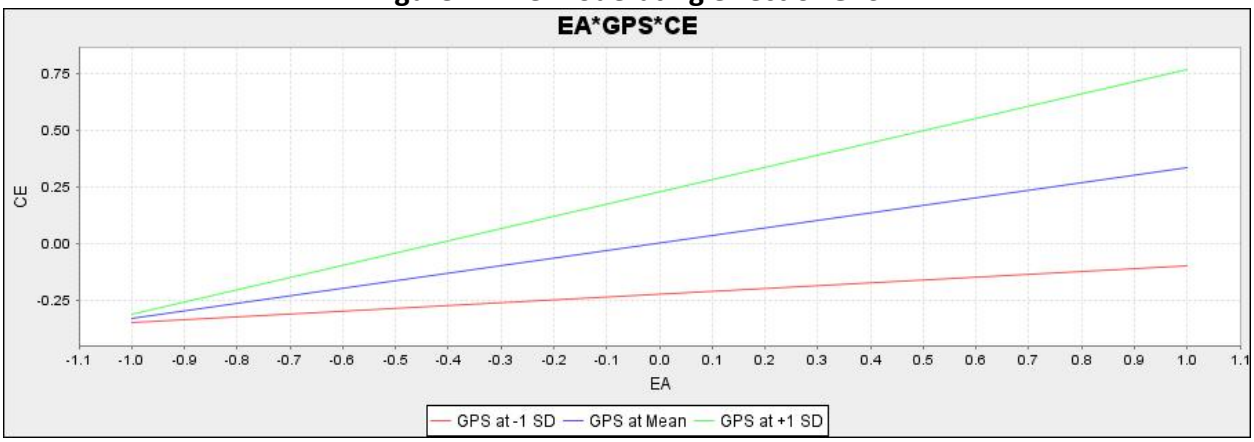

Figure 5: The moderaing effect of GPS

Figures 4 and 5 graphically illustrate the moderating effects of GPS. In Figure 4, the slopes show that greater GPS levels strengthen the positive influence of DGP and CE. The slope at +1 SD was the strongest. Figure 5 shows that GPS strengthened the relationship between the EA and CE. The green line represents +1 SD. The most significant effect reflects the moderation role of GPS.

DISCUSSION AND IMPLICATIONS

A transition towards a CE is an inherently multidimensional process requiring interplay across financial, entrepreneurial, governmental, and social domains. This research highlights green financing, sustainable entrepreneurship, environmental awareness, and government policy as crucial drivers for CE. Green financing provides financial capital for financing sustainable innovations, whereas sustainable entrepreneurship catalyzes the development of market-based solutions aligned with CE principles. However, what lies between these relations is the mediation of environmental awareness and consumer demand for green products, ensuring that financial and entrepreneurial efforts translate into real-life outputs. The study highlights the interconnected nature of green financing and sustainable entrepreneurship (CE) as fundamental drivers of CE. Green financing encourages the adoption of green technologies and processes, which entrepreneurs then apply to create sustainable business models. Consumer

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awareness and demand for green products are also encouraged through education programs and campaigns. Government policies create an environment that encourages sustainable practices through incentives that make them profitable and encourage financial and entrepreneurial activities to support environmental goals.

The empirical evidence supports the hypothesis that green financing and sustainable entrepreneurship are fundamental drivers of CE. However, their effectiveness is enhanced significantly through mediation by environmental awareness and demand for green products. Furthermore, environmental awareness and demand for green products have a stronger impact on CE outcomes when coupled with governmental policies and support. Similar to sustainable entrepreneurship, green financing flourishes in policy environments that encourage innovation and provide fiscal incentives for adopting CE practices. Government policy plays a crucial role as a moderator, supporting initiatives like subsidies for green technologies, tax benefits for sustainable enterprises, and strict waste management regulations. Policies encouraging transparency and accountability elevate the credibility of green financing and sustainable entrepreneurship, helping consumers and investors trust these practices. The study emphasizes the need to treat sustainability efforts as a dynamic system rather than isolated interventions. A well-coordinated approach that integrates financial, entrepreneurial, and policy dimensions is needed to maximize the impact of these efforts.

THEORETICAL CONTRIBUTION

It, thus, extends the Resource-Based View and accentuates the strategic relevance of green financing and sustainable entrepreneurship. By integrating traditional resource-based theories and contemporary sustainability paradigms, this research can bring a refined insight into financial and entrepreneurial capabilities' drivers behind environmental outcomes. It further enriches Institutional Theory in that government policies and cultural norms do influence the practice of circular economy. It thereby confirms the role of policy frameworks as moderators of market incentives that can be harmonized with the objectives of sustainability. The contribution to the debate on environmental awareness and government policy is made through this study.

PRACTICAL IMPLICATIONS

Based on the study, the policymakers and business leaders can design regulatory policies and incentives towards green financing with entrepreneurial efforts, and also tax incentives and subsidies of sustainable ventures are a means through which green financing will be highly adopted. More public awareness to create demand for green products amongst the consumers. More and more inclusion of CE into business operations for entrepreneurs to devise their strategies that should be according to the government's initiatives. Collaboration with financial institutions is important in scaling sustainable innovation and promoting green financing mechanisms, especially in aligning investment portfolios to sustainability goals.

LIMITATIONS AND FUTURE DIRECTIONS OF THE RESEARCH

Valuable insights are garnered from the transition of CE dynamics from this study. However, one of its main limitations is data that is essentially derived from developing economies, thereby limiting generalizability. Comparisons across regions with different economic and policy

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environments would present a more complete understanding. Further longitudinal research might provide more penetrating insights into the relationships and how new technologies would overcome logistical and operational barriers that could enrich an understanding of transitions in CE.

CONCLUSION

This study highlights the multifaceted transition towards a CE, with interdependencies in green financing, sustainable entrepreneurship, environmental awareness, and government policy. Results from the study show that a CE is realized through coordination across financial, entrepreneurial, and policy domains, in line with informed consumer behavior. This research advances the academic literature on sustainability while offering actionable suggestions for stakeholders by providing both theoretical and practical insights. The findings support the adoption of CE by adopting a holistic approach that combines financial incentives, policy frameworks, and consumer education to overcome barriers. In this scenario, the transition to CE can be considered the most viable route to realizing sustainable development for the world in the face of burgeoning environmental challenges. This study has laid a foundation for further research and action and urges collaboration among various stakeholders to be involved in systemic change.

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