JETIR.ORG ISSN: 2349-5162 | ESTD Year : 2014 | Monthly Issue
JOURNAL OF EMERGING TECHNOLOGIES AND INNOVATIVE RESEARCH (JETIR)
An International Scholarly Open Access, Peer-reviewed, Refereed Journal

An analysis of retail investors' awareness and preferences regarding Green Investment products

[1]Dr. Rajsee Joshi, [2]Vidhi Soni, [3]Jenish Javiya

[1]Assistant Professor, [2]Student, [3]Student
[1]Faculty of Management,
[1]GLS University, Ahmedabad, India

Abstract : The current study is an attempt to find out the awareness level and preference of investors towards the green investment products in India. The current study relied on the quantitative methodology through a structured questionnaire survey of retail investors. The results of the study proved that there is an acceptable level of awareness amongst retail investors toward green investment products. The results also indicated that in spite of awareness, investors are not inclined to invest in green investments due to perceived lower returns, regulatory risks and unsure of impact measurement. The research also indicated that investors are willing to shift towards green investment products if they are incentivized.

Index Terms **- Green investment, Investors' awareness, Preferences, Barriers**

I. INTRODUCTION

Since the last decade, there has been a significant transition towards a green economy. Regulatory bodies in India have implemented several measures to boost green finance, aiming to support sustainable development and combat climate change. Key initiatives include:

- Green Bond Guidelines: The Securities and Exchange Board of India (SEBI) issued guidelines in 2017 to promote the issuance of green bonds. These guidelines define eligibility criteria for projects that qualify as green and ensure transparency and disclosure.
- Priority Sector Lending (PSL): The Reserve Bank of India (RBI) has included renewable energy under the PSL category, encouraging banks to allocate a portion of their lending to green projects.
- Sustainable Finance Framework: The RBI has been working on integrating sustainability into financial regulation and supervision, emphasizing the importance of climate-related financial disclosures and environmental risk management.
- Environmental, Social, and Governance (ESG) Reporting: SEBI mandated the top 1,000 listed companies by market capitalization to provide ESG disclosures, promoting greater transparency and accountability in corporate sustainability practices.
- India's Commitment to International Initiatives: India is actively participating in global initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Network for Greening the Financial System (NGFS), which aim to enhance the role of the financial sector in addressing climate risks and promoting sustainable finance.
- Green Finance Development: The government has launched various schemes and incentives to support green finance, such as tax benefits for investments in renewable energy projects and subsidies for green technology adoption.

Indian banks have been increasingly committed to promoting green finance as part of their sustainability efforts. They are channelling funds into renewable energy projects, energy-efficient technologies, and environmentally friendly infrastructure. Major banks have introduced green bonds to raise capital for sustainable projects. Additionally, banks are incorporating environmental risk assessments into their lending processes and supporting initiatives like the International Solar Alliance to boost clean energy adoption. These efforts reflect a broader commitment to aligning financial growth with environmental stewardship and sustainable development goals.

However, green investment products shall create an impact only when the retail investors are aware of green investment products and prefer to invest in those products over traditional investment products. Hence, this study aims to assess the awareness and preference of retail investors towards green investment products in India.

II. LITERATURE REVIEW

Goswami (2024) Goswami's study underscores the immense financial commitment required by India to meet its Paris Agreement targets and Sustainable Development Goals (SDGs), estimating a need for $2.5 trillion between 2015 and 2030. The focus is on understanding green finance strategies in rural areas, examining their applications, and the role of government actions. This research is critical in highlighting the financial and policy frameworks necessary to support sustainable development in less urbanized regions, which are often overlooked in broader discussions on green finance. 'Emerging Themes in Green Finance: A

Systematic Literature Review', Future Business Journal (2024) This extensive review of green finance literature identifies key trends and emerging themes, including the growing interest and awareness among investors about green finance products. It discusses the significant increase in publications on green finance, reflecting heightened academic and practical interest in the field, particularly in understanding the financial aspects of sustainable development. 'Sustainable Finance Explained: Concepts, Advantages, and Practical Implementations', Heinrich-Böll-Stiftung (2024) This report underscores the importance of educating investors about the benefits of sustainable finance. It emphasizes the need for greater transparency and long-term perspectives in investment strategies to align with ESG goals. The study also provides real-world examples of sustainable finance applications, such as green bonds and impact investing, to illustrate their practical benefits.

'Investor Awareness and Engagement in ESG and Sustainable Finance', Journal of Sustainable Finance (2024) This research examines how increasing regulatory requirements and market pressures are driving investor awareness and engagement with ESG and sustainable finance products. It highlights the impact of policies like the EU Sustainable Finance Disclosure Regulation (SFDR) in promoting transparency and accountability among financial institutions, thus fostering a more informed investor base. S. Bhatnagar (2022) Bhatnagar discusses the evolving concept of Green Finance (GF) and its potential to transform financial systems sustainably. The Green Fund initiative is highlighted as a significant effort by various economies to promote innovative and sustainable financial practices. The study categorizes key enablers into regulatory structure development, investment-friendly environments, and capacity building. This framework provides a comprehensive understanding of the necessary conditions for green finance to thrive. Debjani Sarkar (2022) Sarkar introduces green finance as a novel concept offering diverse products and services aimed at supporting environmentally friendly infrastructure and project development. The study acknowledges the challenges of achieving green banking goals in India, given the country's infrastructural and administrative complexities. This work highlights the contextual difficulties faced in implementing green finance in developing nations and suggests a need for tailored strategies.

András Bethlendi (2022) Bethlendi's research points out the limited exploration of household demand for green financial products, apart from ESG investments. The study suggests that fostering consumer demand for green products requires more than just a positive outlook; empirical evidence supports the implementation of subsidy policies and the promotion of financial and ecological literacy. This perspective emphasizes the demand-side factors crucial for the widespread adoption of green financial products. Ghosh (2022) Ghosh's study positions "Go Green" as a pervasive theme influencing various aspects of life, including political, social, ecological, and environmental spheres. The research delves into current trends, prospects in developing countries like India, and global best practices in advancing green finance. This comprehensive approach provides a broad view of the potential and challenges of green finance in different contexts.

These studies collectively highlight the growing awareness among investors about green investment products, driven by technological innovations, regulatory frameworks, and increasing market demand for sustainable investment options.

III. METHODOLOGY

The study aims to assess the awareness and preferences of retail investors towards green investment products, with the following objectives.

3.1 Objectives

- To assess the awareness of retail investors towards green investment products
- To identify what percentage of income do they invest in green investment products
- To understand the association between educational qualification and awareness of green investment products
- To know if the investors will boost their investments in green investment if incentivized
- To identify the barriers for investors with respect to green investment products

3.2 Population and Sample

Population for this study are all the retail investors in India. A non-probability sampling method was adopted wherein 400 respondents were contacted of which a response rate of 76.5% was achieved, making the sample size 306 respondents.

3.3 Data Collection

Primary data was collected through a structured questionnaire survey of the retail investors. Secondary data were collected via new articles, research journals and publications.

3.4 Research Design and Statistical tools

The research design adopted here is descriptive. Statistical tools like Chi-square and ANOVA are applied to examine the association and variability between the data respectively.

IV. Results and Discussion

Below are the details of the demographic particulars of the respondents:

Table 4.1: Demographic variables

Variables	Frequency	Percentage (%)
Gender		
Male	224	73.2
Female	82	26.8
Total	306	100
Age		
Below 25	70	22.9
26-35	96	31.4
36-45	102	33.3
46-59	36	11.8
60+	2	0.7
Total	306	100
Occupation		
Business	72	23.5
Professional	44	14.4
Salaried	130	42.5
Student	42	13.7
Home Maker	12	3.9
Retired	6	2.0
Total	306	100
Educational Qualification		
Undergraduate	67	21.91
Graduate	98	32.03
Post-graduate	105	34.3
Doctorate (Ph.D.)	2	0.65
Professional Degree	34	11.11
Total	306	100
Annual Income		
Below 5 Lakh	34	11.1
5 - 10 Lakh	108	35.3
10 - 15 Lakh	146	47.7
Above 15 Lakh	18	5.9
Total	306	100

The demographics details highlight that majority of the respondents fall in the age category of 36-45 and are salaried. A majority of respondents hold post-graduate degree and earn an income of 10-15 lakhs per annum.

- **Overall awareness on Green Investment products**

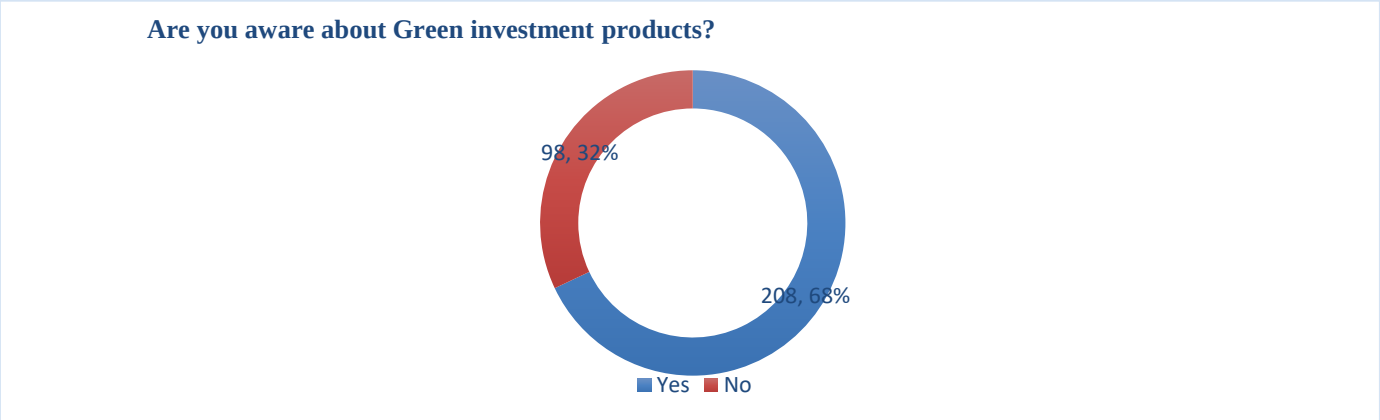


Chart 4.1 Awareness about Green Investment products

Interpretation – Of the total of 306 respondents, 68% of the respondents are aware about green investment products and 32% respondents are not aware. Hence it can be concluded that a good majority of the retail investors are aware about green investment products.

- **Rate your awareness level about Green Investment products offered?**

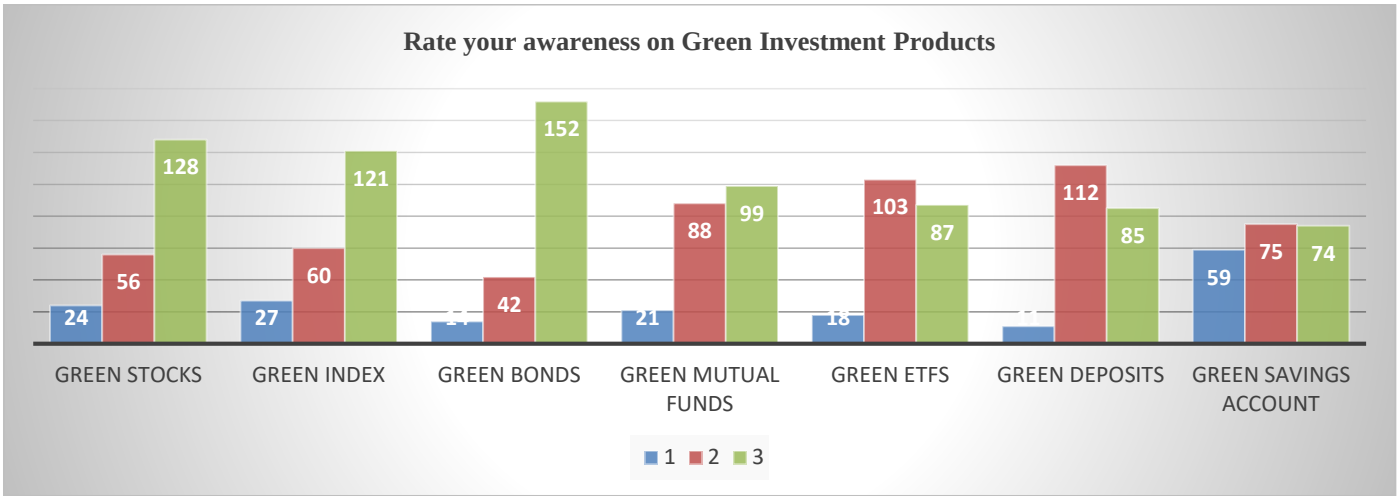


Chart 4.2 Rating the awareness level on a scale of 1-3 (1=Unsure, 2=Somewhat Aware, 3=Completely Aware)

Interpretation – Of the 208 respondents, who were aware of Green Investment Products, majority of the respondents were completely aware about products like Green Bonds, Green stocks and Green Index. There was minimal awareness about products like Green savings account, Green deposits and Green ETFs. Green mutual funds were moderately popular among investors.

- **How important is the environment / sustainability factor while making investment decisions?**

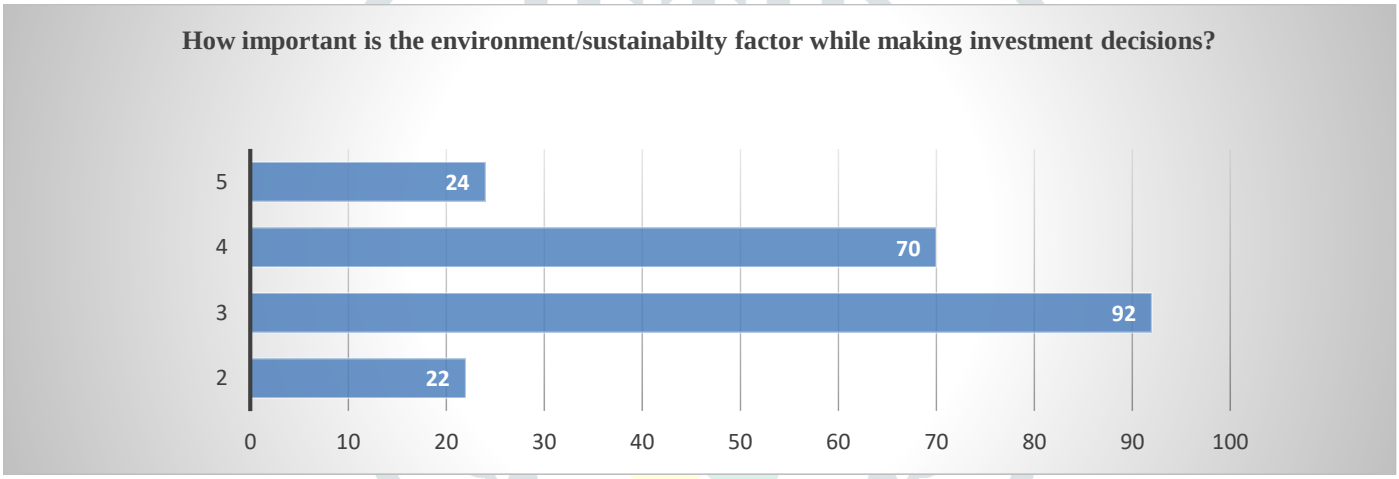


Chart 4.3 Importance of environment / sustainability factor while making investment decisions
(1=Not important, 2=Least important, 3=Neutral, 4=Important and 5=Very Important)

Interpretation – Of the 208 respondents who were aware, majority (44.2%) rated the importance of environment/sustainability as neutral. This shows that even when the investors are aware of the green finance products, they may not necessarily invest in green finance products.

- **What percentage of income do you invest in green investment products?**

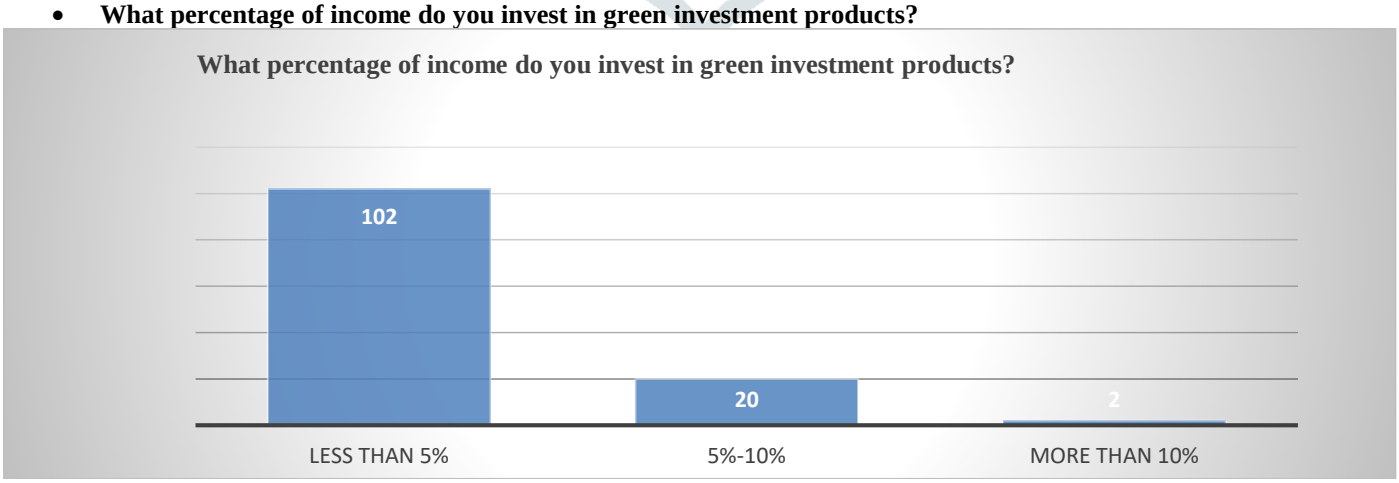


Chart 4.4 Percentage of income invested in Green Investment products

Interpretation – Out of 208 respondents who are aware about Green Investment products, 124 respondents invest in Green Finance products offered by the banks. Of which, 82.25% respondents invest less than 5% of their income in Green Investment products, 16.12% respondents invest 5%-10% of their income in Green investments and 1.6% respondents invest more than 10% of their income in green investments. Rest 40.38% respondents, do not invest in Green finance products, in spite of being aware.

- **Would you prefer to invest / increase your investment in Green Investment products if you receive incentives?**

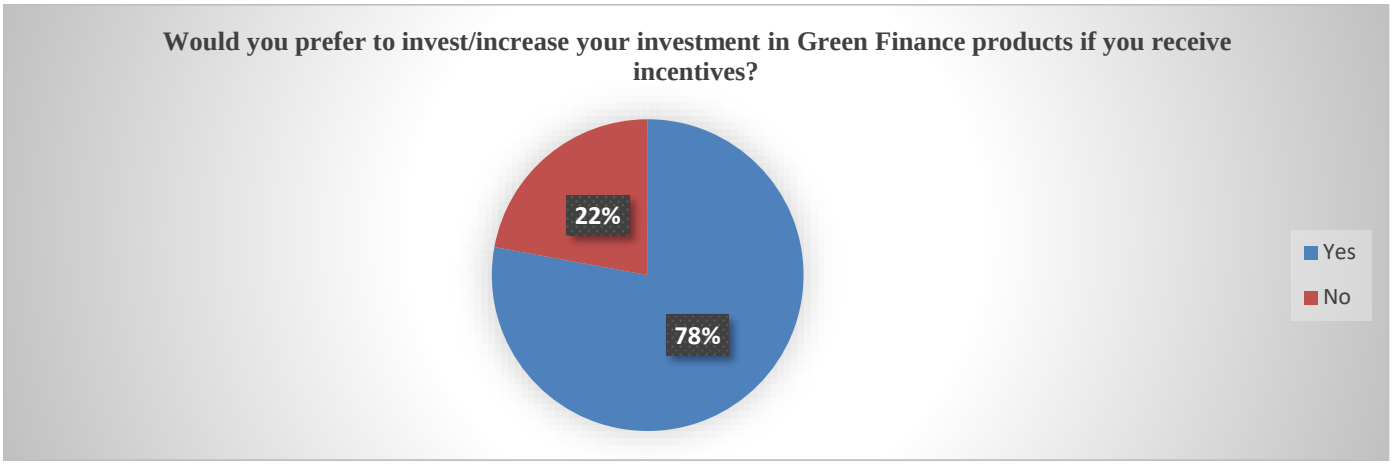


Chart 4.5 Would the invest in green investment products if incentivized?

Of the 208 respondents who are aware of green investment products, 78% responded that they would prefer to invest / increase their investment in Green Investment Products if they were incentivized.

- **What are reasons for not investing in Green Investment Products?**

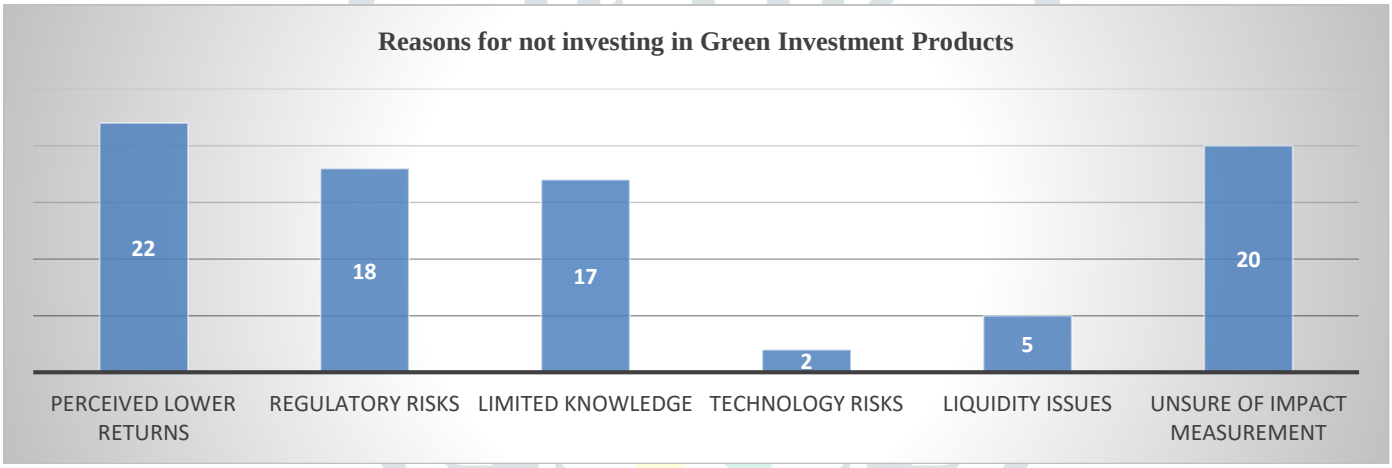


Chart 4.6 Reasons for not investing in green investment products

84 respondents were aware yet not investing in green investment products. They were asked to identify the barriers for not investing in green products. Major barriers were perceived lower returns, regulatory risks and unsure of impact measurement.

- **Hypothesis Testing**

Sr no.	Hypothesis	p-value	Test applied	Result
1.	H0: There is no significant association between the awareness on green investment products and income level	.068	Chi-square	H0 is Accepted
2.	H0: There is no significant association between the awareness and income invested in green investment products	.006	Chi-square	H0 is Rejected
3.	H0: There is no significant variability between the awareness of green investment products amongst educational groups	.021	ANOVA	H0 is Rejected
4.	H0: There is no significant variability between the reasons to not invest in green investment amongst various occupational groups	.072	ANOVA	H0 is Accepted

V. FINDINGS

The findings of the study suggest that there is good overall awareness towards green investment products with 68% of the respondents confirming they are aware. Majority of the respondents were completely aware about products like Green Bonds, Green stocks and Green Index. There was minimal awareness about products like green savings account, green deposits and green ETFs. Green mutual funds were moderately popular among investors. Of those who invest in green investment products, 82.25% respondents invest less than 5% of their income. Of the 208 respondents who are aware of green investment products, 78% responded that they would prefer to invest / increase their investment in green investment products if they were incentivized. Those respondents who were aware of green investment, yet not investing, the major barriers were perceived lower returns, regulatory risks and unsure of impact measurement.

It was found that there is signification association between the awareness level and the percentage of income invested. The shows that respondents that have higher awareness towards the products tend to invest a higher percentage of their income in these products. It was also observed that there is significant variability in the awareness towards green investment products amongst different educational groups. It was observed that respondents with education of post-graduation and professional degree were more aware of the green investment products.

VI. Recommendations and Conclusion

Findings of the research suggests that there is an association between educational level and awareness amongst investors about green investment products. Hence, it can be recommended that the regulatory authorities can target graduates and under-graduate students and increase their awareness towards green investment products. Similarly, the major barriers for not investing in green investment products, in spite of being aware, are perceived lower returns, regulatory risks and unsure of impact measurement. Hence, government and regulatory bodies can work on these aspects and improve transparency on the risks and returns associated with green investment. Likewise, they can educate the investors in terms of the measurability of the impact of green investment on environment. It was also noted that investors were inclined to invest in green investment products if they were incentivized. Hence it is recommended that government can further incentivize the investment by offering higher tax benefits on green investments.

References

[1] Chengbo Fu, M. P. (2023). Advancing green finance: a review of sustainable development. *Research Gate*.
[2] Debjani Sarkar, A. L. (2022) Role of Banking System in Green Finance in the Context of India: An Analysis. *Asian Journal of Management*.
[3] Ghosh, K. (2022) Green Finance Initiatives in India. *UP Journal of Accounting Research & Audit Practices*, 98.
[4] Goswami, D. S. (2024). Green Finance: A Key Initiative for Sustainable Rural Development in India. *Scite press*.
[5] Jäger, E. D. (2021) A Classification of Different Approaches to Green Finance and Green Monetary Policy. *MDPI*.
[6] Manickaraj, A. B. (2022) Green Finance Market in India. *INDIA BANKING AND FINANCE REPORT*.
[7] Ozili, P. K. (2022) Policy Perspectives in Promoting Green Finance. *SSRN*.
[8] Ozili, P. K. (2022). Green finance research around the world: a review of literature. *Research Gate*.
[9] S. Bhatnagar, D. S. (2022). Evolution of green finance and its enablers: A bibliometric analysis. *Science Direct*.
[10] Sreenu Nenavath, S. M. (2023). Impact of green finance and fintech on sustainable economic growth: Empirical evidence from India . *Heliyon*.
[11] Wasan, P., Kumar, A., & Luthra, S. (2021) Green Finance Barriers and Solution Strategies for Emerging Economies: The Case of India. *IEEE*.
[12] Yue Zhu, J. Z. (2022) How does green finance affect the low-carbon economy? Capital allocation, green technology innovation and industry structure perspectives. *Research Gate*, 1-23.