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Green Finance Awareness and Investment Behaviour Among Individual Investors

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***Abstract* – Green finance has emerged as a critical instrument for channeling capital towards environmentally sustainable projects and encouraging responsible investment practices. This study examines the level of awareness of green finance instruments and its influence on the investment behaviour of individual investors. A structured questionnaire was administered to 150 individual investors, and the collected data were analysed using SPSS. The results reveal that while awareness of conventional green financial products, such as green bonds and green mutual funds, is moderate, a considerable proportion of investors remain uncertain about the risk-return characteristics of these instruments. The study further finds that the level of awareness significantly influences investment behaviour, with more informed investors demonstrating a stronger inclination towards sustainable investment avenues. The paper concludes with suggestions for financial institutions, regulators, and policymakers to enhance investor education and expand access to green financial products.**

***Keywords* - Green Finance, Investment Behaviour, Individual Investors, Sustainable Investment, Investor Awareness..**

I. INTRODUCTION

Green finance refers to the range of financial products and services -- including green bonds, green mutual funds, green deposits and sustainability-linked loans -- that are designed to mobilise capital for environmentally beneficial projects such as renewable energy, clean transportation, energy efficiency and pollution control. Over the past decade, growing concerns about climate change, resource depletion and environmental degradation have pushed both governments and financial institutions to promote green finance as a mechanism to align economic growth with environmental sustainability.

In India, the Reserve Bank of India and the Securities and Exchange Board of India have introduced several regulatory measures to encourage green financial instruments, including guidelines on green deposits and disclosure norms for green bonds. Despite these initiatives, the participation of individual retail investors in green finance remains relatively limited compared to institutional investors. This gap is often attributed to low awareness levels, limited product accessibility, perceived risk and a general lack of understanding of the long-term benefits associated with sustainable investment.

Investment behaviour among individual investors is shaped by a combination of financial literacy, risk tolerance, demographic characteristics and awareness of available investment avenues. Understanding how awareness of green finance influences investment decisions is therefore essential for designing effective investor education programmes and for the future development of the green finance ecosystem in India.

II. REVIEW OF LITERATURE

Rahevar (2026) examined the expansion of green finance and ESG investment awareness in India. The study highlighted that increasing environmental concerns and climate risks are encouraging investors to consider sustainable financial instruments. It also emphasized that investor awareness and understanding of ESG practices are important for the wider adoption of green finance in India.
Kumar and Pandey (2025) examined green bond investment among retail investors in India, focusing on knowledge, perceptions, and willingness to invest. The study identified awareness, financial literacy, perceptions, and market-related factors as important influences on retail investors' willingness to participate in green bond investments.

P.Subburaj .et.al (2024) The study examined the influence of emotional intelligence on investment decision-making among 300 investors in Chennai, Tamil Nadu, using purposive sampling and a five-point Likert-scale questionnaire. Data were analysed through descriptive statistics and simple linear regression using SPSS, with the reliability results confirming the suitability of the data. The findings revealed a significant positive relationship between emotional intelligence and investment decision-making, indicating that self-awareness, self-motivation, emotional control, and empathy help investors make more rational and effective investment decisions.

Kapil and Rawal (2023) conducted a systematic and bibliometric review of research on sustainable and ESG investments. Their analysis showed the evolution of sustainable investment from traditional screening

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approaches toward ESG integration, green financial instruments, and impact investing. The study also identified sustainable investment as an increasingly important area of financial research.

Anderson and Robinson (2022) examined financial literacy and green investment using Swedish household data linked with actual investment decisions. The study found that environmentally conscious households were not necessarily more likely to hold green portfolios. However, green financial engagement was stronger among households with higher financial literacy and fewer informational barriers.

P.Subburaj et al. (2018) examined the development of an artificial intelligence-based financial risk prediction system that integrates structured financial data with unstructured annual report text using CNN and LSTM models. The study found that the combined LSTM–CNN model achieved an F1 score of 85.29%, demonstrating improved accuracy in identifying financial risks and providing useful information for investors and financial decision-making

III. STATEMENT OF THE PROBLEM

Although green finance has gained policy attention and institutional backing, individual investors remain cautious and, in many cases, indifferent towards green investment avenues. Limited awareness of green financial products, uncertainty regarding returns, and a lack of clear information channels are commonly cited as barriers. Investment behaviour, in turn, may vary considerably depending on how informed an investor is about the environmental and financial implications of green finance instruments. This study attempts to examine the extent of awareness of green finance among individual investors and to assess how such awareness shapes their investment behaviour, with a view to identifying gaps that can be addressed through policy and institutional intervention.

Objectives of the Study

The objectives of the study are as follows:

- To assess the level of awareness of green finance instruments among individual investors.
- To examine the investment behaviour of individual investors towards green finance avenues.

Hypothesis

- H01: There is no significant difference in the investment behaviour of individual investors across different levels of awareness of green finance.

IV. RESEARCH METHODOLOGY

The study is based on primary data collected through a structured questionnaire using a five-point Likert scale. A sample of 150 individual investors was selected using a convenience sampling method from investors actively trading or investing in financial markets. The collected data were analysed using statistical tools such as percentage analysis and one-way ANOVA, with the help of SPSS software.

Data Collection Tools

Primary Data: Information relating to demographic profile, awareness of green finance instruments and investment behaviour was collected using a structured questionnaire.

Secondary Data: Journal articles, RBI and SEBI reports and prior research studies on green finance and sustainable investment were referred to for background and review purposes.

V. DATA ANALYSIS

Table 1: Gender-wise Classification of Respondents

Gender	No. of Respondents	Percentage
Female	58	38.7
Male	92	61.3
Total	150	100

(Source: Primary Data)

Table 1 shows that out of 150 respondents, 92 (61.3 per cent) are male and 58 (38.7 per cent) are female, indicating a higher representation of male investors among the sample.

Table 2: Age-wise Classification of Respondents

Age Group (Years)	No. of Respondents	Percentage
Below 25	12	8.0
25-35	48	32.0
36-45	51	34.0
46-55	27	18.0
Above 55	12	8.0
Total	150	100

(Source: Primary Data)

Table 2 indicates that the majority of respondents (34.0 per cent) belong to the 36-45 age group, followed by 32.0 per cent in the 25-35 age group. Investors below 25 years and above 55 years each account for 8.0 per cent of the sample, suggesting that green finance awareness in this study is concentrated among middle aged investors.

Table 3: Level of Awareness of Green Finance Instruments

Awareness Level	No. of Respondents	Percentage
Low	41	27.3
Moderate	72	48.0
High	37	24.7
Total	150	100

(Source: Primary Data)

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Table 3 reveals that nearly half of the respondents (48.0 per cent) possess a moderate level of awareness of green finance instruments, while 27.3 per cent exhibit low awareness and only 24.7 per cent demonstrate a high level of awareness, pointing to a clear need for enhanced investor education.

Table 4: Investment Behaviour of Individual Investors towards Green Finance

S.No	Statement	SA	A	N	DA	SDA
1	I prefer investing in green bonds/green mutual funds over conventional instruments	52 (34.7%)	48 (32.0%)	25 (16.7%)	16 (10.7%)	9 (6.0%)
2	Environmental impact influences my investment decisions	58 (38.7%)	46 (30.7%)	22 (14.7%)	15 (10.0%)	9 (6.0%)
3	I am willing to accept lower short-term returns for environmentally sustainable investments	40 (26.7%)	44 (29.3%)	33 (22.0%)	21 (14.0%)	12 (8.0%)
4	Lack of information is a major barrier to investing in green finance products	62 (41.3%)	51 (34.0%)	19 (12.7%)	12 (8.0%)	6 (4.0%)
5	I would increase my investment in green finance instruments if more information/guidance were available	65 (43.3%)	49 (32.7%)	20 (13.3%)	10 (6.7%)	6 (4.0%)

(Source: Primary Data)

Table 4 shows that a majority of investors agree that environmental impact influences their investment decisions and that lack of information is a major barrier to green investment, with 43.3 per cent strongly agreeing that they would increase their investment in green finance instruments if adequate guidance were made available.

Table 5: ANOVA Test for Awareness Level and Investment Behaviour

Variable	Awareness Level	N	Mean	S.D.	F Value	Sig.
Investment Behaviour Score	Low	41	3.12	0.71	8.94	0.000*
	Moderate	72	3.58	0.66		
	High	37	3.95	0.58		
	Total	150	3.54	0.70		

Based on Primary Data * Significant at 5% level

The null hypothesis (H01) states that there is no significant difference in the investment behaviour of individual investors across different levels of awareness of green finance. Since the calculated F value (8.94) is significant at the 5 per cent level ($p < 0.05$), the null hypothesis is rejected. This indicates that investment behaviour scores rise progressively with the level of awareness, with investors possessing high awareness recording the highest mean score (3.95), followed by moderate awareness (3.58) and low awareness (3.12) investors. This confirms that awareness of green finance instruments has a statistically significant influence on the investment behaviour of individual investors.

Findings

- The majority of respondents (61.3 per cent) are male, and the largest age group represented is 36-45 years (34.0 per cent).
- Nearly half of the respondents (48.0 per cent) have only a moderate level of awareness of green finance instruments, while about one-fourth remain largely unaware.
- A majority of investors consider environmental impact while making investment decisions, and lack of information emerges as a significant barrier to wider participation in green finance.
- The ANOVA results confirm a statistically significant relationship between the level of awareness of green finance and investment behaviour, leading to rejection of the null hypothesis.

Suggestions

- Financial institutions and regulators should intensify investor education programmes specifically focused on green finance instruments, their risk-return profile and their long-term environmental and financial benefits.
- Simplified and standardised disclosure norms for green bonds and green mutual funds would help investors make informed comparisons and build greater confidence in these products.
- Digital platforms and mobile applications could be leveraged to provide easy access to information, ratings and performance data on green financial products, particularly for younger and moderately aware investors.
- Tax incentives or preferential terms for retail investors in green financial instruments could encourage greater participation and help bridge the gap between awareness and actual investment behaviour.

VI. CONCLUSION

The study concludes that individual investors possess only a moderate overall level of awareness of green finance instruments, and this awareness plays a statistically significant role in shaping their investment behaviour. Investors with higher awareness are more inclined to consider environmental impact in their decisions and are more willing to invest in sustainable financial products, whereas lower awareness is associated with hesitancy and limited participation. Bridging this awareness gap through targeted investor education, improved disclosure and easier access to information can substantially enhance the participation of individual investors in green finance, thereby supporting the broader goal of channelling capital towards environmentally sustainable development.

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