

"Sustainable Investment Trends: An Analysis of Investor Perception of Green Bonds in Bangalore"

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Abstract: This study investigates investor perceptions of green bonds, analyzing their attitudes, motivations, and behaviors towards sustainable investments. Key dimensions explored include awareness, understanding, and preferences for green bond features, as well as risk perception and financial performance expectations. Market dynamics, including issuer credibility and investment behavior, are also examined, alongside the role of environmental, social, and governance (ESG) factors in investment decision-making. Barriers to green bond adoption and the effectiveness of investor education initiatives are assessed, with recommendations provided to enhance market transparency and stimulate investor demand for sustainable finance.

Keywords: Green Bonds, Investor Perception, Sustainable Investments, Environmental Finance, ESG Factors, Investor Behavior, Investor Education.

1. INTRODUCTION:

A vital financial instrument for financing ecologically friendly initiatives, green bonds provide financial benefits while tackling global issues like resource depletion and climate change. Bangalore, the financial and technical center of India, is a major player in this changing market as sustainability becomes more important in investment strategy. Green bonds are still a relatively new idea in India, though. This study investigates the awareness, motives, concerns, and factors impacting investment decisions of investors in Bangalore. In order to promote India's economic and environmental objectives and encourage sustainable investment, the findings seek to identify potential and obstacles in the green bond market.

2. REVIEW OF LITERATURE:

- **Larcker & Watts, 2020:** surveyed green bonds are strongly preferred by Swedish investors, according to a survey, because of their environmental values. As investors prioritize sustainability in addition to financial benefits, the findings highlight the growing significance

of ethical and responsible investing. This pattern emphasizes how green bonds might draw in investors who care about the environment.

- **Flammer, 2021:** The adoption of green bonds in Europe is mostly driven by institutional investors, who are impacted by corporate social responsibility (CSR) programs and regulatory frameworks. Support from the law promotes sustainable investing, and CSR pledges inspire investors to match their holdings with environmental objectives, which propels the rise of green bonds.
- **Tang & Zhang, 2021:** According to Tang and Zhang (2021), green bonds are becoming more popular in the US, especially for sustainable infrastructure and renewable energy. Increased issuance and adoption have been fuelled by rising environmental consciousness and the desire for sustainable investments. Both monetary gains and environmental benefits draw investors, which is indicative of a larger trend toward sustainable financing.
- **Zhou & Cui, 2022:** The market for green bonds in China is primarily driven by regulatory support and rising environmental concerns. Favourable laws and government incentives encourage investment, and investor knowledge supports market expansion by aligning with national sustainability goals.
- **Oshiro & Suzuki, 2022:** Corporate pledges and governmental initiatives have contributed to the expansion of Japan's green bond market. Investment is stimulated by tax breaks and government assistance, and market dynamics are further reinforced by company sustainability commitments, creating a strong climate for green investment.
- **Bachelet et al., 2019:** There are geographical differences in green bond markets that are caused by a variety of factors. North America concentrates on financial innovation, Asia reacts to government incentives, and European markets prioritize regulations, despite the fact that environmental concerns are a shared component. This emphasizes the necessity of region-specific green bond plans.
- **Ehlers & Packer, 2017:** Examined how the market for green bonds grew quickly due to increased investor demand, pro-green legislation, and environmental consciousness. Additional factors that improved growth and confidence were standardized protocols, institutional investor involvement, and specialized market infrastructure.
- **Karpf & Mandel, 2018:** The distinctions between institutional and retail investors in the green bond market were examined. Retail investors concentrated more on short-term profits and market movements, while institutional investors adopted a strategic strategy motivated by sustainability objectives and rules.
- **Kidney & Oliver, 2017:** Emphasized how important government regulations are to the growth of the green bond market. In order to promote market expansion and investor trust, supportive laws, tax breaks, and emission objectives improve credibility, draw in capital, and standardize procedures.
- **Tang & Tang, 2021:** Transparent sustainability reporting boosts investor confidence in green bonds. Greenwashing problems are reduced by thorough disclosures of environmental impact and standard compliance, which increases sector growth, market involvement, and trust.
- **Gianfrate & Peri, 2019:** Looked at how green bond-funded projects affected the ecosystem and came up with a variety of findings. There are still issues with measurement and reporting, even though many programs have produced positive results like reduced emissions and

improved efficiency. The report emphasizes that in order to guarantee that sustainability objectives are fulfilled, defined measures and increased openness are required.

- **Campiglio et al., 2018:** Decisions about investing in green bonds are influenced by climate risk management. Robust frameworks for risk assessment and disclosure boost investor trust by coordinating investments with sustainability and risk reduction objectives.

3. OBJECTIVES:

- ☐ To Assess Investor Awareness and Understanding
- ☐ To Examine Investor Motivations and Attitudes
- ☐ To Explore Investor Preferences for Green Bond Features

4. HYPOTHESIS:

H0: There is no significant difference between annual income of the respondents and first learn about green bonds.

H1: There is a significant difference between annual income of the respondents and first learn about green bonds.

5. SCOPE OF THE STUDY:

- ☐ Demographic Analysis
- ☐ Awareness and Understanding
- ☐ Motivations and Attitudes
- ☐ Preferences for Green Bond Features

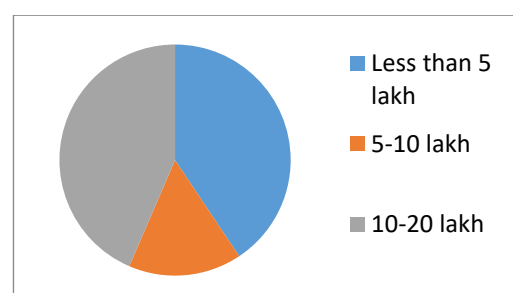
6. STATEMENT OF THE PROBLEM:

The green bond market presents a key opportunity for sustainable investments, yet adoption in India remains limited. In addition to analysing elements that can increase interest, such as transparency and regulatory assistance, this study investigates investor opinions in Bangalore and identifies obstacles like low awareness and financial concerns. The findings of this study are intended to support green bond investments and provide guidance for more extensive policy endeavours.

7. DATA ANALYSIS AND INTERPRETATION:

7.1 Annual income

		Frequency	%
1	Less than 5 lakhs	141	40.6
2	5-10 lakhs	55	15.9
3	10-20 lakhs	151	43.5
	Total	347	100

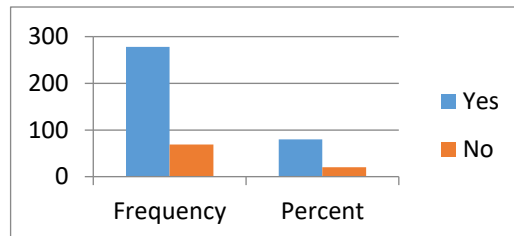


Interpretation: According to the annual income distribution, only 15.9% of respondents make between 5 and 10 lakhs, while the majority (43.5%) earn between 10 and 20 lakhs or less than

5 lakhs (40.6%). The sample's socioeconomic background is shown in the concentration in lower to mid-income categories (84% below 20 lakhs), which may draw attention to financial limitations. These income groups' dominance may have influenced the study's conclusions by highlighting financial aspects pertinent to these groups while obstructing insights into viewpoints from higher income groups.

7.2 Awareness of green bonds:

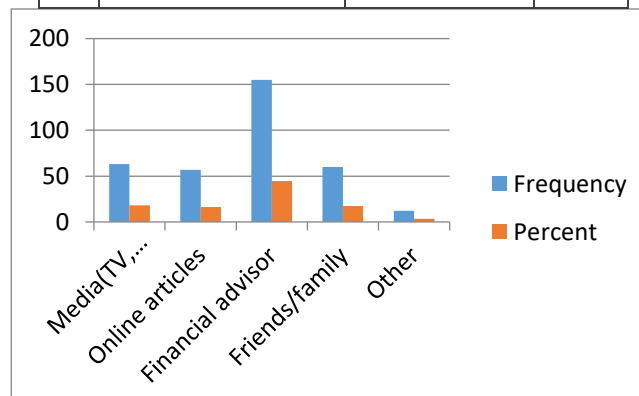
		Frequency	%
1	Yes	278	80.1
2	No	69	19.9
	Total	347	100



Interpretation: According to the research, 80.1% of respondents are aware of green bonds, demonstrating a high level of awareness of sustainable investment possibilities that is probably influenced by environmental consciousness, financial education, and media attention. The 19.9% who don't know, however, draw attention to communication and educational shortcomings. In addition to offering a chance to educate and involve less conscious investors, this distribution points to a growing interest in green investing.

7.3 Sources of Awareness About Green Bonds:

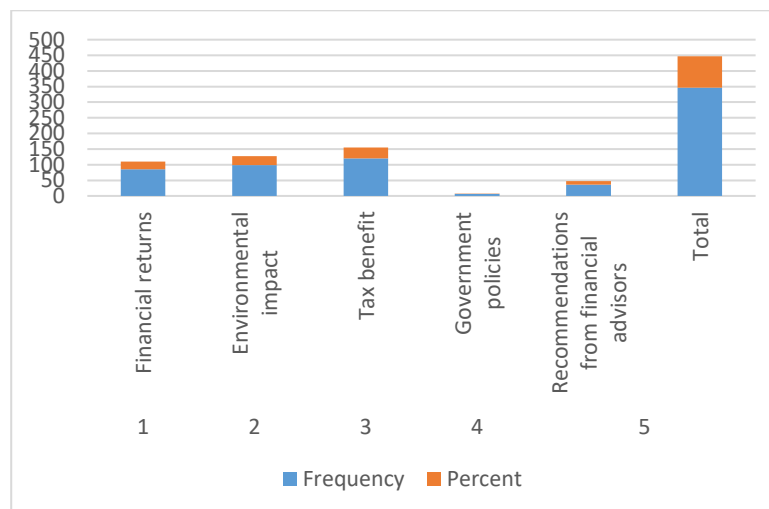
		Frequency	%
1	Media(TV, Newspaper, etc)	63	18.2
2	Online articles	57	16.4
3	Financial advisor	155	44.7
4	Friends/family	60	17.3
5	Other	12	3.5
	Total	347	100



Interpretation: According to the research, the majority of respondents (44.7%) learned about green bonds from financial advisors, with media (18.2%), online publications (16.4%), and friends or family (17.3%) following closely behind. This demonstrates how important financial advisors are in influencing investment choices and encouraging sustainable investing. Personal networks have less of an impact on raising awareness than do media and internet sources. The results highlight the importance of seeking expert advice for financial education and investment insights.

7.4 Key Factors Influencing the Decision to Invest in Green Bonds:

Sl.No.	Factors	Frequency	%
1	Financial returns	85	25
2	Environmental impact	99	28
3	Tax benefit	120	35
4	Government policies	6	2
5	Recommendations from financial advisors	36	11
	Total	347	100

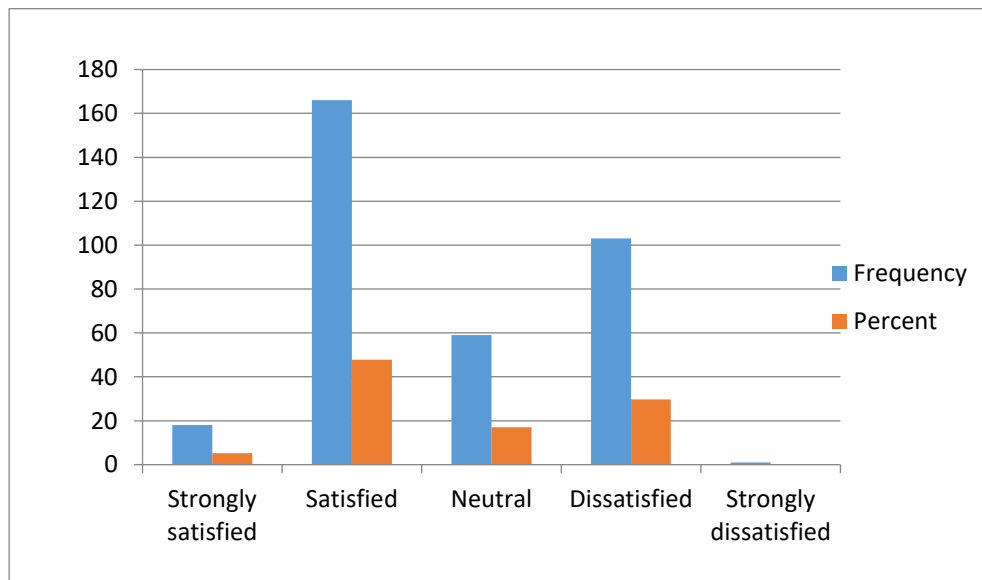


Interpretation: The data emphasizes the attraction of financial incentives by showing that tax benefits (35%) are the most important factor in green bond investment. Another important factor is environmental impact (28%), which reflects investor interest in sustainability. Government actions (2%) and financial advisor suggestions (11%) have less of an impact than financial results (25%). This implies that a balance between the financial benefits and environmental factors is what largely influences investment decisions.

7.5 on scale from 1 to 5 (strongly satisfied) to 5 (strongly dissatisfied) how much do you satisfied or dissatisfied to the following:

7.5.a. How satisfied are you with the current information available about green bonds and their environmental impact?

Sl.No.		Frequency	%
1	Strongly satisfied	18	5.2
2	Satisfied	166	47.8
3	Neutral	59	17
4	Dissatisfied	103	29.7
5	Strongly dissatisfied	1	0.3
	Total	347	100

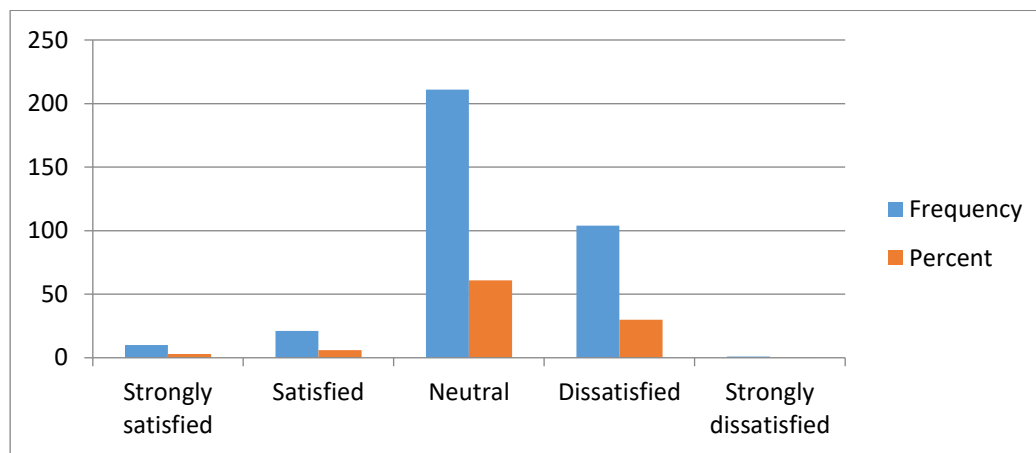


Interpretation: According to the data, although 47.8% of respondents are happy with the information provided by green bonds, 29.7% are not, expressing worries about accessibility and openness. The results, which show that only 5.2% of respondents are extremely happy, emphasize the necessity of better communication and thorough reporting to raise investor involvement and confidence.

7.5.b. How satisfied are you with considering investing in green bonds in the near future?

		Frequency	%
1	Strongly satisfied	10	2.9
2	Satisfied	21	6.1
3	Neutral	211	60.8

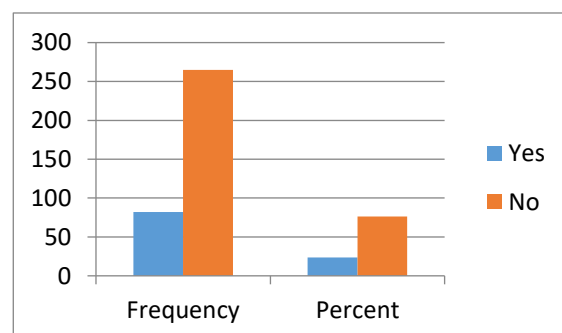
4	Dissatisfied	104	30
5	Strongly dissatisfied	1	0.3
	Total	347	100



Interpretation: According to the analysis, 60.8% of respondents have no opinion on investing in green bonds, compared to 30% who are unhappy and 9% who are satisfied. This neutrality raises the possibility of uncertainty brought on by incomplete knowledge, performance issues, or other investment objectives. Improving market stability, incentives, and transparency to remove these obstacles may boost trust and attract investment.

7.6 Investment Plans for Green Bonds in the Next 12 Months:

		Frequency	%
1	Yes	82	23.6
2	No	265	76.4
	Total	347	100



Interpretation: According to the study findings, only 23.6% of respondents aspire to invest in green bonds during the next 12 months, while 76.4% do not. This hesitancy could be due to challenges with credibility, incomplete information, or worries regarding returns. By addressing these obstacles with openness, incentives, and education, we can boost confidence and promote wider adoption.

7.7 Statistical Test:

Anova test between annual income and how did you first learn about green bonds.

H0: There is no significant difference between the annual income of the respondents and first learn about green bonds

H1: There is a significant difference between the annual income of the respondents and first

learn about green bonds

ANOVA					
How did you first learn about green bonds?					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	14.204	2	7.102	6.523	0.002
Within Groups	374.551	344	1.089		
Total	388.755	346			

Interpretation:

Significant variations in the respondents' first sources of information regarding green bonds are shown by the ANOVA results ($F = 6.523$, $p = 0.002$). The diversity of answers points to the importance of information sources in forming awareness. The results show that in order to raise awareness of green bonds, communication channels must be optimized.

8. FINDINGS AND CONCLUSIONS:

8.1 Findings:

1. A strong preference for mutual funds, a sizable portion of respondents actively invest with the primary objective of accumulating wealth over the long term.
2. Financial advisors have played a significant role in raising awareness of green bonds, yet most people do not invest in them because they lack sufficient knowledge, underscoring the need for improved education to encourage adoption.
3. There is a disconnect between awareness and action, as evidenced by the fact that most respondents are either ambivalent or hesitant to invest in the near future, despite a comparatively high level of satisfaction with green bond information and issuer transparency.

8.2 Conclusion:

- The survey found a high level of awareness of green bonds among respondents, although a significant portion of them have not yet invested in them, mainly due to lack of information and trust.
- Tax benefits and financial returns are the main motivations for those considering investing in green bonds.
- The biggest obstacles to the growth of the green bond market are trust issues and limited issuance.
- There is a clear preference for receiving investment information through online platforms.
- Although respondents recognise the importance of areas such as water management for green bonds, there is still a need for increased awareness and better financial incentives to promote investment in green bonds.

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