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Understanding the Preference of Individual Investor on Green Bonds in India

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Abstract:
Green bonds have emerged as a significant means of securing funds for low-carbon and green initiatives. The presents study understands the factors that impact the perception of individual investor towards investing in green bonds in India. Risk associated with investment is given the least priority. India ranks third among emerging economies for funds raised through GBs, having secured only US$22.1 billion from 2015 to 2022.this study focuses on several objectives that yet to be achieved. This study is based on secondary data which helps to understand the perception of individual towards green bonds.

Keywords: Green Bonds, Individual perception, Individual Investor, Environmental factor, Investor awareness.

Introduction

Due to metamorphic changes, business around the world have developed the deep sense of sustainability. To promote long term sustainability, the sustainable development goals(SDG) of the United Nations demands huge amount of fund to maintain economic growth. To ensure sustainability, it is essential to invest in sustainable projects and green financing. Green bonds are fixed-income instruments designed to raise capital specifically for projects with positive environmental changes such as renewable energy, green building or clean transportation. Green bonds tend to be structured in same way as traditional bonds. Green innovation has become a vital concept in assisting the growth of green economy in recent years in India. Green finance contributed to improving environmental sustainability, reducing pollution through promoting energy conservation. Gbs have emerged as a key tool for financing eco-friendly projects (Reboredo, 2018; Zhang et al., 2019).

History of Green bonds , THE WORLD BANK was the First Institution in the world which issued green bonds coordinated with SWEDISH BANK in November 2008. Since then the global green bonds market has grown grown 11 billion in 2013, the green bond market is small but till now, more than 50 countries have issued green bonds for financing environmentally sustainable and friendly projects. The US and China remains the leader of green bonds. In past few years, Green bonds is becoming popular in India. YES BANK was the first Institution to issue Rs. 1000 crore green bonds in 2015. YES BANK subscribed from INTERNATIONAL FINANCE CORPORATION, the private arm of WORLD BANK. The first internationally certified green bonds issue being AXIS BANK USD 500 Million issue. In India, Sovereign Green bonds are issued by RESERVE BANK OF INDIA (RBI) on the behalf of government.

Finance Minister Nirmala Sitharaman announced the issuance Sovereign Green Bonds in India during the Union Budget 2022-23. These bonds are aimed at mobilizing resources for green infrastructure projects to reduce the carbon intensity of the economy, forming part of the government's overall market borrowings. The Government continues issuing sovereign green bonds, with cumulative issuance around ₹72,697 crore in this year. Individual investor participation is still low. Municipal bonds are slowly attracting retail investors, but at a limited scale. Gaziabad became the first municipality in India to issue green bonds in April 2021 and the Indore municipal green bond was listed on the National Stock Exchange (NSE).

Literature review

Prakash et al.,(2021) states that India needs massive investment in SDG but there is huge Financial Gap which making it difficult to fund green projects like renewable energy. Government heavy reliance on Bank loans, which are expensive (high interest rates) and private investment is limited due to high risk perception and low investor confidence. This study shows that private investment is limited due to low investor confidence and high risk perception. Theivanayaki, Mohan (2025) states that "This study examines investor perceptions regarding green bonds, focusing on key factors influencing investment decisions, barriers to adoption, and potential strategies to enhance market participation. Green bonds, which finance environmentally sustainable projects, have gained traction in global financial markets, yet investor hesitation persists due to concerns about returns, transparency, and regulatory frameworks. The research aims to analyse investor awareness, financial motivations, and sustainability concerns. The results indicate that while 81.3% of respondents are aware of green bonds, only 56.3% have invested in them. Aggarwal (2024), This study emphasized on Identify factors influencing retail investors' perception of green bond investments and examine the relationship between investor perception and sustainability. Investor perception is strongly influenced by social and personal considerations rather than financial risk, highlighting the importance of awareness and social responsibility in promoting green bonds. This study examines investor awareness and key factors influencing investment in green bonds in Odisha, India. Using survey data from 173 investors and statistical analysis, it finds that most respondents (76.3%) are aware of green bonds. Investment decisions are mainly driven by perceived risk, issuer reputation, environmental benefits, and financial performance, which together explain a significant portion of investor behaviour. Singh (2026), This study aims to examine the perspectives of Indian retail investors on green municipal bonds. This study provides insights into investors' understanding of green municipal bonds as investment avenues and their priorities. This study also focuses on investors' opinions on the challenges associated with the development of green municipal bonds in India and suggestions based on their experiences and priorities. Pancholi (2025), This study examines the influence of green bond awareness and comprehension on the investment decisions of Indian retail investors and its alignment with sustainable development goals. Findings reveal that financial literacy mitigates behavioural biases, showing a positive correlation between awareness and investment in green bonds. Risk perception and trust in green bond credibility are key influencers. Financial literacy is pivotal in promoting green bond investments among Indian retail investors, suggesting the need for educational programs and policy innovations to enhance the green bond market. Further exploration of these dynamics is recommended. Chhachhar(2021), role of municipalities in India in promoting sustainable development. It explore key areas where municipalities can have a significant impact, including urban planning, infrastructure development, waste management, water supply, public transportation, green spaces, renewable energy, citizen engagement, and the legal frame works that guide their actions. By examining these facets, a deeper understanding of how Indian municipalities are striving to create more liveable, environmentally responsible, can be gained.

Objectives

The research aims to bridge gap unawareness of green bonds among individual investor and the rise of municipal green bonds, increasing participation of international financial institutions and enhance investor confidence. The objectives of this research will be -

- To explore the factor that affecting green bonds in India
- To study progress of green bonds in various states of India
- To create awareness about Green Bonds among investor
- To study the steps taken by SEBI & RBI

Research gap

Existing studies on Green bonds in India majorly focuses on Institutional investor, Market Development, Corporate Entities and Government Sovereign Bonds While relatively less attention has been given to perception and investment intention of individual investor in India. There is a need for integrated framework combining such factors investment confidence, investment awareness, risk perception, environmental concern, transparency, issuer reputation.

Methodology

The recent study is based on secondary sources. It includes peer-reviewed journal articles from WEB OF SCIENCE and SCOPUS, Research Papers, SEBI reports, RBI Annual Report, NSE and BSE Reports, OECD Report, Ministry of Finance (GOI) and World Economic Forum Reports. This paper follows a descriptive research design to examine understanding the perception of individual investor on green bonds in India.

Conclusion

Green bonds are financial instruments that raise funds for financing green projects. They facilitate sustainable investing with the goal to mitigate the environmental damage. Green bonds have gained popularity over the past decade as a method of encouraging ecologically responsible investing practices. This paper examined various factors that affects perception of individual investor such as environmental factors, investor awareness, investor confidence, risk perception. Various studies found that majorly focus was on institutional investor , corporate entities, Market development, government sovereign bonds while less attention has been given to individual investor towards green bonds.

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