ORIGINAL RESEARCH PAPER

Finance

ASSESSING THE KNOWLEDGE AND WILLINGNESS OF RETAIL INVESTORS TOWARD GREEN BOND INVESTMENTS: A STUDY IN MYSURU

KEY WORDS: Green bonds, Sustainability, Awareness, Investor Behaviour, Environment.

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ABSTRACT

Green bonds have emerged as a critical instrument in India's climate strategy, designed to finance sustainable projects while transitioning from a niche tool to a key component of national infrastructure investment. The market is rapidly evolving through regulatory initiatives like SEBI guidelines and the issuance of sovereign green bonds, though it remains predominantly This study examines the green bond market in Mysuru as of early 2026, focusing on the gap between rising national issuance and low retail participation. Despite India reaching over $55 billion in sustainable debt, retail investors remain sidelined due to poor understanding, regulatory complexity, and "greenwashing" fears. In this background the researcher is to measure how much Mysuru's retail investors actually know about green bonds and what specifically drives or stops them from buying in institutional with limited retail participation. This study employs a quantitative, cross-sectional design to capture a snapshot of investor attitudes. Data is collected from 50 respondents using convenience sampling and a structured Likert-scale questionnaire. Analysis is performed via SPSS, utilizing percentages, weighted averages, and Chi-Square tests to identify key trends and significant relationships in investment decision-making. The respondents are primarily female (77%), aged 31 to 40 (49%), and employed (61%). Financially, a majority (54%) earn between Rs. 5,00,000 and 10,00,000 annually, and there is a high level of Green Bond awareness (63%). The data reveals that while green bonds are designed for sustainability, investor behavior remains primarily yield-driven. This study identifies that while investors value the environment, low awareness and doubts about financial returns are the primary barriers to green bond adoption. To bridge this gap, the report suggests a two-pronged approach: Policymakers should provide tax incentives and launch educational campaigns to build trust. Issuers should simplify the certification process and more clearly market the long-term financial stability of these bonds. By combining financial transparency with strategic communication, stakeholders can accelerate the shift toward a low-carbon economy.

I. INTRODUCTION:

The European Investment Bank issued its first green bonds in 2007, followed by the World Bank in 2008 to fund climate-related projects. The rise of ESG (Environment, Social and Governance) and sustainability frameworks has underscored the significance of green bonds. Socially Responsible Investing (SRI) has gained prominence, with green finance becoming increasingly important.

The Indian Context: The Indian financial ecosystem has demonstrated progressive integration of green finance mechanisms through a series of strategic policy interventions. The Securities and Exchange Board of India (SEBI) established comprehensive Green Debt Securities Guidelines in 2021, implementing stringent disclosure requirements designed to mitigate green washing risks and enhance market integrity (SEBI, 2021). A landmark development occurred in 2023 with the government's inaugural sovereign green bond issuance, mobilizing rupees 160 billion for sustainable infrastructure projects and signaling strong institutional commitment to climate finance (Ministry of Finance, 2023). Complementary to these measures, the Reserve Bank of India's 2024 Climate Risk Framework introduced mandatory climate- related financial disclosures for banking institutions, creating systemic incentives for green lending practice (RBI, 2024). However, these policy advancements have not translated into proportional retail market participation, with green bond transactions remaining predominantly institutional. This disconnect can be attributed to serval factors: alarming low financial literacy rates, with only 27% of Indian adults possessing basic financial knowledge (NEFE, 2019): prevalent perceptions of green instruments as complex or high-risk investment vehicles (SEBI, 2021): and structural limitations in marketing and distribution channels that restrict accessibility for individual investors.

Meaning of Green Bond: Green Bonds are fixed-income securities that finance investments with environmental or climate-related benefits. Green bonds are an integral part of "Green Finance", which aims to internalize ecological externalities and adjust risk perception for the sake of increasing friendly investment (G20—2016). These bonds function like a traditional bond, offering issuers a way to borrow money which funds are exclusively used for environmentally friendly projects, such as renewable energy efficiency, clean transportation, sustainable agriculture, waste management and biodiversity conservation. Many Green Bonds follow established standards, such Green Bond Principles (GBP) by the International Capital Market Association (ICMA) or the Climate Bond Certification (CBI) ensuring transparency and alignment with environmental objectives.

II. REVIEW OF LITERATURE:

Reboredo, J. C. (2018), The research analyses the relationship between green bonds and traditional financial assets. It finds that green bonds provide portfolio diversification benefits, reducing risk for investors seeking sustainable investments. The study also highlights knowledge gaps among individual investors, which limits market expansion.

Banga, J. (2019), This study examines the growth and impact of green bonds in emerging markets. It highlights investor perception, regulatory challenges, and financial incentives that influence green bond adoption. The research finds that low awareness and risk perception are major barriers to green bond investments in developing countries like India.

Maltais, A., & Nykvist, B. (2020), This study reviews investor motivations for green bond investments, including financial returns, ESG impact, and policy incentives. It emphasizes the role of demographic factors (age, education, and income) in shaping green investment behaviour. The paper suggests that targeted financial literacy programs can improve green bond adoption rates among retail investors.

Flammer, C. (2021), This paper explores the effectiveness of green bonds in driving corporate sustainability. It finds that firms issuing green bonds experience higher investor trust and stock performance due to enhanced ESG credibility. However, it notes that individual investors often lack sufficient knowledge to assess green bond benefits compared to institutional investors.

Reddy, R. M. (2024), An empirical study of the green bond market in India with a focus on investor perception. The study finds that investor participation is hindered by regulatory uncertainty, lack of awareness, and insufficient incentives. Reddy highlights the need for policy interventions to bridge the knowledge gap and improve investor confidence in sustainable financial instruments.

III. STATEMENT OF PROBLEM:

Despite the rising issuing of green bonds in India, awareness and participation are low, hindered by a lack of understanding, regulatory issues, and transparency concerns. This study aims to assess investor awareness in Mysuru city and identify barriers to investment.

IV. OBJECTIVES OF THE STUDY:

The objectives of this study are as follows:

1) To evaluate the current awareness levels regarding green bonds among retail investors in Mysuru.
2) To identify the factors that influence investor's preference for green bonds, including environmental impact, financial returns and government incentives.

V. RESEACH METHODOLOGY:

1. **Research Design:** The study uses a descriptive and cross-sectional quantitative design. This approach is ideal for capturing a "snapshot" of investor attitudes and awareness at a specific point in time without manipulating variables.

2. **Data Collection Tool:** A structured questionnaire is the primary tool, utilizing a five-point Likert scale. This allows researchers to convert subjective attitudes—ranging from "Strongly Disagree" to "Strongly Agree"—into measurable numerical data for statistical testing.

3. **Sampling Method:** Convenience sampling, a non-probability technique, is used to target easily accessible investors.

   Sample Size: The study is based on a small-scale sample of 100 respondents.

4. **Data Analysis Tools:** Statistical analysis is conducted using SPSS (Statistical Package for the Social Sciences).

The study employs several techniques:

Simple Percentage Analysis: To describe the basic characteristics of the data.

Weighted Average: To determine the relative importance of different factors.

Chi-Square Tests: To identify significant relationships or differences between variables influencing investment decisions.

VI. DATA ANALYSIS:

Table No. 1 Demographic Profile of the respondents

Profile	Response Options	Frequency	Percentage
Gender	Male	23	23
	Female	77	77
	Total	100	100
Age	Below 30	26	26
	31 to 40	49	49
	41 to 50	15	15
	Above 50	10	10
	Total	100	100
Employment Status	Employed	61	61
	Self- Employed	39	39
	Total	100	100
Annual Income	Below Rs. 5,00,000	26	26
	Rs. 5,00,000 to 10,00,000	54	54
	Above Rs. 10,00,000	20	20
	Total	100	100
Awareness about Green Bond	Yes	63	63
	No	37	37
	Total	100	100

(Source: Primary Data)

Interpretation: Table No. 1 indicate the demographic profile of the respondents. From the above table it is clear that the Gender of the respondent: The group is heavily female-dominated (77%). Age of the respondent: Nearly half of the participants fall in the 31 to 40 age bracket (49%), followed by those under 30 (26%). Employment & Income of the respondents: Most are employed (61%), with over half the group (54%) earning between Rs. 5,00,000 and 10,00,000 annually.

Green Bond Awareness: There is a relatively high level of awareness, with 63% of respondents stating they know about Green Bonds.

Table No.2 Factors influencing investor's preference for green bonds

Factors	No. of Respondents	Percentage
Environmental impact	35	35
Financial returns	48	48
Government incentives	17	17
Total	100	100

(Source: Primary Data)

Interpretation: The table no. 2 shows the factors influencing investor's preference for green bonds. The data provided outlines three primary factors influencing investor preferences for green bonds, with financial returns identified as the most significant driver.

Financial Returns (48%): This is the top priority for nearly half of the respondents. Investors often seek green bonds that offer competitive pricing or a "greenium" (yield advantage).

Environmental Impact (35%): Over one-third of investors are motivated by the specific green credentials of the projects being funded. There is a high demand for transparency; 79% of investors in similar studies would avoid bonds with unclear use of proceeds.

Government Incentives (17%): While the smallest group, these investors prioritize external support systems. Key incentives include tax exemptions and specialized regulatory frameworks.

VII. RECOMMENDATIONS:

Based on the findings, the following recommendations are proposed:

For Policymakers:

- **Provide Incentives:** Introduce tax benefits, subsidies or risk-sharing mechanisms to make green bonds more attractive.
- **Enhance Investor Awareness Campaigns:** Launch targeted campaigns to educate the public about green bonds, focusing on their financial and environmental benefits.

For Green Bond issuers:

- **Focus on Financial Returns:** Highlight long-term returns alongside environmental benefits to appeal to financially-driven investors.
- **Simplify Certification Processes:** Develop clear and transparent standards for green bonds to reduce perceived complexity and skepticism.

VIII. CONCLUSION:

This study examined the influence of demographic variables on investor awareness, preference, and interest in green bond investments. The findings reveal that while environmental benefits are increasingly valued, widespread adoption is significantly constrained by low awareness and financial skepticism regarding returns.

Promoting green bonds among investors is essential for fostering a new generation of environmentally conscious investors. By integrating educational initiatives, interactive workshops, focus on financial returns on green bonds, simplify the certification process we can effectively raise the interest in green bonds and sustainable finance. Collaborative efforts with financial experts and the inclusion of green bond topics in social media will provide with the knowledge and tools needed to support green initiatives. Ultimately, these strategies will not only enhance investors' understanding of green bonds but also contribute to the broader sustainability and responsible investment in the future.

Promoting green bonds among investors is a critical strategy for fostering environmentally conscious investment and accelerating the transition to a low-carbon economy. By adopting tailored strategies, such as education, simplifying processes and strategic communication, investor interest in sustainable finance can be significantly increased.

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