GREEN AWARENESS AS A PREDICTOR OF GREEN FINANCE? WHAT ARE THEIR ROLES IN PREDICTING ENVIRONMENTAL SUSTAINABILITY?

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dx.doi.org/10.18374/JIFE-24-4.1

ABSTRACT

Banks in India wish to make green loans. Employees in Indian firms will only apply for the green loans if they are familiar with the benefits of environmental sustainability. We present three sources of green awareness to disseminate green finance knowledge to Indian corporate employees. Green awareness is conjectured to increase the propensity to use green financing instruments which leads to environmental sustainability. Medium and large enterprises in Kerala, India were selected. A total of 225 employees of these organizations were surveyed to assess three dimensions of green awareness, green finance, and environmental sustainability. A Partial Least Squares Structural Equations Model was used for data analysis. Mode Awareness Received and Awareness of Green Finance Products significantly increased the propensity to use green financing, such as green loans. Awareness of Green Management and Green Initiatives weakly predicted green finance. Green finance significantly increased environmental sustainability. The use of green mode awareness tools such as newspapers, online ads, and emails is effective in increasing green awareness, which in turn, increases the use of green finance instruments provided by banks. Green awareness products including green home office conversion loans and green housing loans may be used to encourage corporate employees to apply for green bank loans.

Keywords*: green finance, green awareness, environmental sustainability, Kerala, India, mode awareness*

1. INTRODUCTION

Green finance is defined as the provision of banking, financing, and operating funds for eco-friendly projects (Simionek-Ruskan et al., 2022).. In India, green banking is a primary vehicle for channeling funds to businesses that invest in green projects including, biogas projects, wind farms, solar panels, and recycling, to name a few.

Firms in India can only benefit from green banking if their employees are knowledgeable about the loans, mortgages, and risk coverage provided by banks. Green loans may be used to fund the production of green products. Green mortgages may be used to pay for buildings that meet environmental standards. Green risk coverage provides insurance underwriting for the technology that reduces exposure to climate change. The knowledge about green financing is provided by green awareness. Unnikrishnan et al. (2019) examined willingness to invest in green finance instruments based on awareness of green finance products among Indian students, finding that awareness was extremely limited. Likewise, a similar study found that demand for retail green finance products, such as green mortgages, and auto loans for electric vehicles was minimal due to the public's lack of familiarity with green products (Finance for Tomorrow, 2021).

We view the acceptance of green finance products as an application of the theory of planned behavior. Azjen (1985) proposed the theory of planned behavior. First, an individual evaluates a suggested behavior positively, resulting in positive affect. Green awareness provides three sources of suggested behavior. The first source is the mode of awareness received, whereby wall posters, emails and newspapers tout the benefits of environmental sustainability. The second source is green financial products such as green home efficiency loans, and green insurance. The third source is the green management initiatives of rainwater harvesting, carbon tax, and environmental accounting, among others.