



Eco-Conscious Investing: A Systematic Review on Green Investments

Suma, B. R
Assistant Professor
Surana College (Autonomous), Kengeri Campus
India
suma.mba@suranacollege.edu.in

Supriya, P
Assistant Professor
Surana College (Autonomous), Kengeri Campus
India
supriya.mba@suranacollege.edu.in

Received: 2 June 2024
Revised: 20 July 2024
Accepted: 1 August 2024
Copyright: with Author(s)

ABSTRACT

Green finance is a novel financial idea aiming to simultaneously promote environmental conservation and economic growth. The main goal of this research is to find the factors influencing investors' decisions to purchase green securities.

The report suggests that politicians strategically prioritize raising public awareness and distributing information about the current global climate issue. It suggests that increased awareness correlates with people's capacity to make better decisions.

Keywords: Green Investments, Individual Investors, Environmental Concerns, Government Policies

1. Introduction

The increasing recognition of climate change and its consequences has brought about a notable transformation in investment approaches, resulting in eco-conscious investing. With the dual goals of generating both financial returns and beneficial environmental effects, this strategy prefers investments made in businesses and initiatives that show a dedication to environmental sustainability. Investors who understand the long-term advantages of sustainable practices for the environment and the economy have taken a keen interest in green investments, a subset of the more general Environmental, Social, and Governance (ESG) investing criteria.

This systematic review examines how green investments have changed over time and their financial performance, guiding ideas, and difficulties. Our goal is to combine existing studies to provide a thorough understanding of how environmentally conscious investing can support sustainable growth and reduce environmental hazards. Furthermore, this assessment tackles important topics like greenwashing and the requirement for standardized ESG indicators, guiding future directions and best practices for investors and politicians committed to advancing sustainable finance.

Objectives

1. To determine the degree of people's awareness of green investing alternatives.
2. To gauge the perceived benefits and risks that specific investors connect with environmentally friendly investment opportunities.
3. To look into how people's preferences for green investments are affected by sociodemographic factors.

Scope

1. The study will determine people's awareness levels across different social strata.
2. The investors' willingness to take on risk.

Findings from the Existing Literature

1. (Ismah Osman, June 2019) This study found that attitudes, perceived behavioural control, knowledge, reputation, and religious values most significantly influenced Muslim investors' propensity to engage in green investments. Not surprisingly, religious values emerged as the most important determinant. This result confirms earlier studies in various circumstances and emphasizes the critical influence of religious values in determining behavioral intentions. Moreover, a noteworthy association was discovered between Muslims' awareness, knowledge, and personal purpose to support green investment. Furthermore, it was shown that a key factor was the reputation of service providers, which is defined by judgments of dependability, credibility, social responsibility, and trustworthiness. This research used the theory of planned behavior as the conceptual framework to explore the major factors influencing Muslim investors' behavioral intentions for green investments.

2. The present research utilized the Theory of Planned Behaviour (TPB) to examine how Malaysian university students' intentions about green investment are influenced by their personal attitudes, subjective norms and perceived behavioural control (PBC). The increasing effects of climate change, such as wildfires and droughts, mostly caused by an increase in greenhouse gas (GHG) emissions each year, have highlighted how urgently mitigation actions must be implemented. (Chan, 2018).

3. This study investigates the relationship between graduates in agricultural and food sciences from universities in the Kingdom of Saudi Arabia (KSA) and their intentions towards green investment within the food industry. The three main determinants derived from the Theory of Planned Behaviour (TPB) are attitude towards behaviour (ATB), subjective norms (SNs), and perceived behavioural control (PBC). The impact of green investment knowledge and green consumption commitment is also examined. The results validate the direct influence of green ATB, green PBC, green knowledge, and green consumption commitment on graduates in agricultural and food sciences' intention to make green investments. These findings impact Saudi Arabia's food industry's development and sustainability. (Aliedan, 2023)

4. This study's main goal is to investigate how, in the context of Pakistan, green brand knowledge (GBK) modifies the relationships between green brand positioning (GBP), attitude toward the green brand (ATGB), environmental concern (EC), and green purchasing intention (GPI). Adding GBK as a moderating variable is to improve comprehension of the interactions between GBP, ATGB, EC, and GPI. According to the study, GBK strengthens the correlation between green buying intentions and the independent variables (ATGB, EC, and GBP). (Siyal,

2021)

5. A novel approach for assessing the fintech innovation life cycle of clean energy investments is put forth in the paper by Wei (2021). First, the optimal combinations of fintech-based funding options with integer code series are identified in the findings. Second, the Pythagorean fuzzy DEMATEL technique is used to analyze the criterion. Finally, Pythagorean fuzzy TOPSIS ranks these four distinct fintech choices. The most crucial stage of the fintech financing alternatives' innovation life cycle is aging regarding clean energy investments. Similarly, the beginnings of the declining phase are important to this circumstance.(Wei, 2021)

6. In light of the current COVID-19 epidemic, this study by Imran Yousaf (2022) investigates the hedging and diversification advantages of green investments for traditional stock portfolios. Although the results support gold's reputation as a reliable hedge against stock market declines, we also find that clean energy investments and green bonds can act as havens for investors. According to our research, green investments are becoming increasingly necessary for better financial performance and stability, especially in light of the volatile market conditions.(Imran Yousaf, 2022)

7. Factors influencing green finance and sustainable company development must be identified to develop green investment activity for sustainable development. This study uses the Exploratory Factor Analysis (EFA) methodology to process the dataset from 208 enterprises to identify and measure the factors affecting green investment in Vietnamese. The findings demonstrate that most survey-included factors were dependable, retained statistical significance, and converged into the factor group. Infrastructure for green investment, Challenges in obtaining funds for green investment initiatives, and more are among the survey's contributing issues. Incentives for obtaining funding for environmentally friendly investments, knowledge of businesses' green investments, The government assists in obtaining funds for green investment, and firms can obtain cash for green investment. The key conclusions are as follows: the government must take the lead in promoting green investment by creating policies that support, encourage, and motivate green investment for businesses; it must also establish suitable legal frameworks to steer economic development toward green growth; it must use market-based tools and taxes to alter consumer preferences, encourage green investment, and advance technology; it must define the term "green" and identify the "green" factor in financial activities and investments; and it must increase the knowledge and skills of businesses, financial intermediaries, investors, and management agencies about sustainable development.(Tran, 2020)

8. In light of the preliminary examination into the impact of individual perceptual elements on behavioral intention toward stock investment activities, this study provides empirical evidence and theoretical analysis. Examining demographic traits as possible modifiers in this association is also part of it. Moreover, this initial investigation clarifies the validity of the Theory of Planned Behavior's relevance in Indonesia, especially in explaining people's intentions, especially those of younger generations, to participate in and invest in the stock market. It explores the distinct viewpoints a developing market offers and offers particular details about the respondent profiles. It is hypothesised in this exploratory study that younger people who have better Perceived Behavioural Control (PBC) are more likely to invest in stocks. This study aims to provide managers of securities firms and government regulators with a thorough understanding of the influence of individual personality factors on stock investment through the lens of investor intention. This knowledge can guide the development of methods to more successfully raise public awareness of stock investing through improved laws, advertisements, events, and services. (Nugraha, 2021)

9. The study's conclusions show a favorable correlation between customers' intentions to buy green products and eco-innovation, environmental concerns, environmental knowledge, and green products. Furthermore, customer attention is found to be a strong and positive mediator between environmental concern, environmental knowledge, eco-innovation, and green products and the intention and acceptance of green purchases.

The significance of this study lies in several aspects:

1. It emphasizes the crucial role of eco-friendly cosmetics and the importance of green purchase intent in Taiwan and Mongolia.
2. With the goal of promoting environmental preservation and encouraging consumers to purchase green products, it offers experts information that can help them refine regulations about the manufacturing of green products.
3. Moreover, the research provides significant insights for scholars who aim to investigate many facets of eco-friendly cosmetic items and their impact on personal conduct and ecological durability. (Moslehpour, 2023)
10. This study aimed to investigate how environmentalist values and environmental self-identity—as defined by the Theory of Planned Behavior (TPB)—combine to affect the propensity to use green energy. The research examined Turkish households' intention to consume green energy, particularly on socio-psychological factors. Environmental Values and Self-Identity were included as fundamental components of the TPB framework to attain a holistic understanding. (Harorli, 2023)
11. In energy investment, this study utilizes and develops the Theory of Planned Behavior (TPB) model to create a comprehensive framework that can reliably predict intentions to invest in Renewable Energy (RE). Encouraging the availability of cost-effective and eco-friendly energy solutions is vital to mitigate power shortages and tackle climate change. According to the research, conventional energy stakeholders have a positive attitude toward investing in renewable energy (RE), which has a big impact on how likely they are to invest in RE to generate power. Nevertheless, it was found that the extended model's addition of new predictive variables and removal of the original TPB features made it more difficult to construct meaningful relationships between Subjective Norms, Attitude (ATT), Perceived Behavioral Control (PBC), and investment intentions. (Daiyabu, 2023).
12. The study's conclusions show respondents had positive sentiments and a high interest in renewable energy. Remarkably, there is broad popular support for renewable energy projects, motivated by benefits like improved community cohesiveness and conservation of natural resources. Regarding the use of renewable energy, an overwhelming 87% of respondents had strong positive opinions. Notably, there is a knowledge vacuum because not much study has been done in China to determine public acceptance of renewable energy. These results emphasize how urgently it is needed to advocate for the benefits of renewable energy while also drawing attention to the negative environmental effects of traditional energy sources. This requirement applies to all governmental entities, non-governmental organizations (NGOs), and policymakers since they are essential in shaping public perception and policy direction in the energy sector. (Ali, 2023)
13. The study's conclusions show a strong and favorable relationship between Thai consumers' intention to use renewable energy sources and their self-efficacy. Stakeholders would consider several important aspects, such as perceptions of self-efficacy, environmental concern, awareness of renewable energy, and beliefs in its benefits, to effectively promote consumer adoption of renewable energy in the nation. Cost concerns pose a serious obstacle to Thailand's adoption of renewable energy, as has been noted in industrialized countries as well. These concerns can discourage consumers from switching to renewable energy. Nonetheless, this obstacle may be lessened by initiatives to increase customers' sense of control over their behavior, especially through increased knowledge about renewable energy sources. The study also emphasizes how crucial it is for consumers to have favorable attitudes about the advantages of renewable energy, as these beliefs have a beneficial impact on their adoption decisions. Thus, raising consumer awareness of the benefits of renewable energies should be the top priority for programs meant to encourage consumer adoption of green energy technology in Thailand. The study also highlights how customer perceptions of risk and trust in certain items influence adoption behaviour. It is imperative to acknowledge and tackle these obstacles to enable Thai consumers to adopt renewable energy solutions effectively. (Wall, 2021)

Conclusion of the study

1. The study looks at how graduates in agricultural and food sciences from universities in the Kingdom of Saudi Arabia (KSA) feel about green investment intentions. It also examines the impact of green consumption commitment and investment knowledge. These three major factors are derived from the Theory of Planned Behaviour (TPB) and are known as attitude towards behavior (ATB), subjective norms (SNs), and perceived behavioural control (PBC).

2. The key conclusions are as follows: the government must take the lead in promoting green investment by creating policies that support, encourage, and motivate green investment for businesses; it must also establish suitable legal frameworks to steer economic development toward green growth; it must use market-based tools and taxes to alter consumer preferences, encourage green investment, and advance technology; it must define the term "green" and identify the "green" factor in financial activities and investments; and it must increase the knowledge and skills of businesses, financial intermediaries, investors, and management agencies about sustainable development.

3. The research findings indicate that several factors, including attitude, perceived behavioral control, knowledge, reputation, and religious values, significantly impacted Muslim investors' propensity to engage in green investment. Notably, religious values were the most significant determinant.

4. The study's goal was to determine how environmentalist values and environmental self-identity, as defined by the Theory of Planned Behavior (TPB), combine to affect people's propensity to use green energy.

Based on the findings, the study will propose recommendations for individuals, financial advisors, and institutions to encourage and facilitate greater participation in green investments.

References

- [1] Ali, M. I. (2023). Modeling public acceptance of renewable energy deployment: A pathway towards green revolution. *Economic Research-Ekonomska Istraživanja*, 36(3).
- [2] Aliedan, M. M. (2023). Who is going green? Determinants of green investment intention in the Saudi food industry. *Agriculture*, 13(5), 1047.
- [3] Lin, B., Zhang, Y. (2022). Measuring the green economic growth in China: Influencing factors and policy perspectives. *Energy*, 241.
- [4] Chan, K. H. (2018). What do undergraduates think about green investment? Empirical evidence from a developing nation. *Indian Journal of Public Health Research & Development*, 9(11), 1627-1632.
- [5] Lee, C.-C., Huang, J. (2023). An assessment of socioeconomic indicators and energy consumption by considering green financing. *Resources Policy*, 81.
- [6] Daiyabu, Y. A. (2023). Extending the theory of planned behaviour with application to renewable energy investment: The moderating effect of tax incentives. *International Journal of Energy Sector Management*, 17(2), 333-351.
- [7] Demographics & Insurance. (2023). The Journal of Insurance Institute of India, (XIII), 1-25.
- [8] Gutsche, G., Henn, M. (2020). Investment barriers and labeling schemes for socially responsible investments. *Schmalenbach Business Review*, 72, 111-157.
- [9] Ben Ameer, H., Fadli, Z. (2024). Do green investments improve portfolio diversification? Evidence from mean conditional value-at-risk optimization. *International Review of Financial Analysis*, 94.

- [10] Harorli, E., Ünal, A. (2023). Examining household intentions to use green power: Insights from TPB. *Energy Strategy Reviews*, 50, 101230.
- [11] Thanki, H., Soni, S. N. (2022). I am ready to invest in socially responsible investments (SRI) options only if the returns are not compromised: Individual investors' intentions toward SRI. *Sustainability*, 1-17.
- [12] Yousaf, I., Tariq, M. (2022). Green investments: A luxury good or a financial necessity? *Energy Economics*, 105.
- [13] Osman, I. M. (2019). Determinants of behavioural intention towards green investments: The perspectives of Muslims. *International Journal of Islamic Business*, 4(1), 16-38.
- [14] Bhattacharyya, R. (2021). Green finance for energy transition, climate action and sustainable development: Overview of concepts, applications, implementation and challenges. *Green Finance*, 4(1), 1-35.
- [15] Liu, S., Qiu, H. (2022). Driving factors behind the development of China's green bond market. *Journal of Cleaner Production*, 354.
- [16] Siyal, S. A. (2021). Factors influencing green purchase intention: Moderating role of green brand knowledge. *Journal of Environmental Research and Public Health*, 18(20), 10762.
- [17] Suchanek, P. R. (2021). Socioeconomic factors influencing the prosumer's investment decision on solar power. *Energies*, 14(20).
- [18] Rizvi, S. K. A., Naqvi, B. (2021). Is green investment different from grey? Return and volatility spillovers between green and grey energy ETFs. *Annals of Operations Research*, 495-524.
- [19] Tran, T. D. (2020). The factors affecting green investment for sustainable development. *Decision Science Letters*, 9(3), 365-386.
- [20] Wall, W. P. (2021). Factors influencing consumer's adoption of renewable energy. *Energies*, 14(17), 5420.
- [21] Wei, J. D. (2021). Pattern recognition of green energy innovation investments using a modified decision support system. *IEEE Access*, 9, 162006-162017.
- [22] Mielke, J., Steudle, G. A. (2018). Green investment and coordination failure: An investors' perspective. *Ecological Economics*, 150, 88-95.
- [23] Vanwalleghe, D., Mirowska, A. (2020). The investor that could and would: The effect of proactive personality on sustainable investment choice. *Journal of Behavioral and Experimental Finance*, 26, 100313.
- [24] Ning, Y., Cherian, J., Sial, M. S., Álvarez-Otero, S., Comite, U., Zia-Ud-Din, M. (2023). Green bond as a new determinant of sustainable green financing, energy efficiency investment, and economic growth: A global perspective. *Environmental Science and Pollution Research*, 30(22), 61324-61339.
- [25] Ye, J., Al-Fadly, A., Quang Huy, P., Quang Ngo, T., Phi Hung, D. D., Hoang Tien, N. (2022). The nexus among green financial development and renewable energy: Investment in the wake of the COVID-19 pandemic. *Economic Research-Ekonomska Istraživanja*, 35(1), 5650-5675.
- [26] Yousaf, I. (2022). Green investments: A luxury good or a financial necessity? *Energy Economics*, 105.
- [27] Tran, T. D. (2020). The factors affecting green investment for sustainable development.

Decision Science Letters, 9(3), 365-386.

[28] Wei, J. D. (2021). Pattern recognition of green energy innovation investments using a modified decision support system. *IEEE Access*, 9, 162006-162017.

[29] <https://www.sciencedirect.com/science/article/pii/S266678432200033X>

[30] <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/consumers-care-about-sustainability-and-back-it-up-with-their-wallets>

[31] https://www.ey.com/en_in/climate-change-sustainability-services/green-finance-is-gaining-traction-for-net-zero-transition-in-india