Awareness and Perceptions of Green Finance Investments among Youth: Evidence from Kerala

Dr. Ninikala K[1], Shiji P[2], Vidhya Krishna T[3]

[1,2,3]Assistant Professor, Department of Commerce, Providence Women's College (Autonomous),Kozhikode.

Abstract

This study examines the awareness, understanding, perceptions, influencing factors, and barriers related to green finance investments among youth in Kerala. A descriptive research design was adopted, and data were collected from 144 respondents using a structured questionnaire. The findings reveal that while respondents demonstrate a general understanding of green finance and its role in sustainable development, gaps exist in knowledge related to specific instruments and associated risks. Ethical and environmental concerns emerged as the primary drivers influencing investment interest, followed by social responsibility, while financial motives played a comparatively lesser role.

The analysis further identified two major categories of barriers: knowledge and awareness barriers, and practical and structural barriers. The Kruskal–Wallis test indicated significant differences in awareness and barrier perceptions across familiarity levels. Post hoc analysis confirmed that respondents with higher familiarity exhibit greater awareness as well as stronger recognition of barriers compared to those with lower familiarity. The study concludes that enhancing familiarity through education, awareness campaigns, and supportive policy measures is essential to improve youth participation in green finance.

KEYWORDS: Green Finance, Youth Investment, Environmental Awareness, Financial Literacy, Sustainable Development, Participation Barriers.

Introduction

Green finance has gained prominence as a mechanism for channeling capital toward environmentally sustainable activities and supporting the transition to a low-carbon economy. As environmental degradation, climate change, and sustainability concerns intensify, financial decisions are increasingly expected to reflect not only return considerations but also ecological responsibility. Youth represent an especially important segment in this context because they are future investors, consumers, and policy-influencers whose financial attitudes may shape the long-term diffusion of green finance. Research suggests that younger generations are often environmentally aware, yet this awareness does not always translate into active participation in sustainable investment products. (Unnikrishnan, Paliath, & Dhanuka, 2019)

Although green finance has received growing attention from policymakers and scholars, youth awareness and understanding of the concept remain uneven. Studies among university students and young adults show that awareness, financial literacy, trust, and perceived complexity influence sustainable investment behavior, while limited information and distrust act as barriers. However, there is still limited empirical evidence explaining whether youth familiarity with green finance is associated with differences in awareness and perceived barriers. This gap is important because familiarity may shape both the cognitive understanding of green finance and the willingness to participate in it. Accordingly, the present study examines the level of awareness and understanding of green finance investments among youth, their perceptions of environmental impact, the key factors influencing investment decisions, and the barriers that hinder participation. (R, 2025)

Literature Review

Existing literature shows that awareness is one of the strongest predictors of youth participation in green finance. Studies of students and young adults report that many respondents have heard of green finance, but their understanding of products, instruments, and practical benefits remains limited. Research on youth perceptions of green finance also finds that awareness alone is not enough; willingness to invest depends on whether young people believe green finance is credible, understandable, and linked to measurable environmental improvement. A recent study on university students found that awareness, trust, and social influence are central to willingness to engage in green financial practices, suggesting that education and institutional credibility are important in shaping youth behavior. (Ramakrishnam Raju , 2022)

The literature also highlights that young investors generally view green finance positively because it aligns money with environmental goals, climate action, and sustainable development. However, this positive perception is often moderated by concerns about financial performance and risk. Evidence from choice experiments with young adults shows that the traditional risk-return trade-off remains important, even for sustainable funds, youth may support green investing in principle but still hesitate if returns seem uncertain. These findings suggest that environmental values influence intentions, but investment decisions remain strongly tied to perceived profitability and risk. (Varmaz, Riebe, & Hegner, 2021)

Several studies identify key factors that influence youth decisions to invest in green finance. Financial literacy is repeatedly shown as an important factor because it helps young people evaluate investment products, compare alternatives, and understand the trade-off between sustainability and returns. Behavioral research based on the Theory of Planned Behavior suggests that attitude, subjective norms, and perceived behavioral control are major predictors of sustainable investment intention among young adults. In addition, trust in financial institutions, perceived transparency, and the visibility of environmental impact can encourage participation, especially when peers and campus environments support sustainable choices. Environmental concern is also a major motivator, but studies suggest that it works best when combined with clear information and confidence in the product’s credibility. (Varmaz, Riebe, & Hegner, 2021)

At the same time, the literature points to several barriers that hinder youth involvement in green finance. The most common barriers include low awareness, limited access to information, distrust in green claims, fear of lower returns, and confusion about greenwashing or the actual impact of products. Some studies also note that even financially literate young adults may still hesitate to invest sustainably if they believe such options are riskier or less profitable than conventional investments. In developing-country contexts, additional barriers include weak institutional promotion, lack of targeted financial education, and inadequate product visibility in mainstream financial services. Overall, the literature suggests that youth participation in green finance depends on a combination of environmental values, financial capability, trust, and supportive institutions. (El Khatib)

Research Problem

Despite the growing importance of green finance in promoting sustainable development, youth participation in green finance investments remains low. Existing literature shows that awareness, environmental concern, financial literacy, trust, and perceived risk influence sustainable investment behavior, but these factors have not been fully examined together in the youth context. Hence, there is a need to investigate the level of awareness and understanding of green finance among youth, their perception of environmental impact, the key determinants of their investment decisions, and the barriers that hinder their participation.

Research Objectives

- To evaluate the level of awareness and understanding of green finance investments among youth.
- To examine how youth perceive the environmental impact of green finance investments.
- To identify key factors that influence youth decisions to invest in green finance.
- To investigate the challenges and barriers that hinder youth participation in green finance investments.

Hypotheses

H_0: There is no significant difference in the awareness and understanding of green finance investments across different levels of youth familiarity with the concept of green finance.

H_1: There is a significant difference in the awareness and understanding of green finance investments across different levels of youth familiarity with the concept of green finance.

H_0: There is no significant difference in perceived barriers to participation in green finance investments across different levels of youth familiarity with the concept of green finance.

H_1: There is a significant difference in perceived barriers to participation in green finance investments across different levels of youth familiarity with the concept of green finance.

Materials And Methods

The study employed a descriptive research design to examine youth awareness and understanding of green finance investments, factors influencing their interest, and barriers to participation. A total of 144 youth respondents were selected through a convenience sampling method from Kerala. Data were collected using a structured questionnaire containing Likert-scale and categorical items. Reliability of the scales was confirmed using Cronbach's alpha, with all constructs demonstrating acceptable internal consistency ($\alpha \geq 0.70$). Exploratory Factor Analysis (EFA) was conducted separately for (i) awareness and understanding of green finance investments, (ii) factors influencing youth interest, and (iii) barriers to participation, using Principal Component Analysis with Varimax rotation to identify underlying dimensions. Descriptive statistics (mean, standard deviation, frequency, and percentage) were used to summarize responses. Normality tests indicated that the data were non-normal; therefore, the Kruskal–Wallis H test was applied to assess differences in awareness and understanding of green finance investments and barrier perceptions across three levels of familiarity with the concept of green finance (High, moderate and low). All analyses were conducted using SPSS, with a significance level set at $p < 0.05$.

Results and Discussions

Table no.1 Assessing awareness and understanding of green finance investments.

Awareness and understanding of green finance investments.	Mean	Standard deviation	Factor Loadings
I am aware of the concept of green finance and its objectives.	3.46	0.892	0.932
I understand the role of green finance in promoting sustainable development.	3.71	0.938	0.807
I am familiar with the types of green financial instruments available (e.g.,green bonds, sustainable funds).	3.31	0.920	0.873
I can differentiate between traditional investments and green finance investments.	3.33	0.924	0.885
I feel that investing in green finance has long-term financial benefits.	3.54	0.915	0.791
I am aware of the risks associated with green finance investments.	3.17	0.989	0.877

The mean value shows that most respondents have a good general understanding of green finance, especially its role in supporting sustainable development (highest score: 3.71). People are also aware of the concept and believe it can bring long-term financial benefits (3.54). However, knowledge is weaker when it comes to specific details such as knowing the different types of green financial instruments (3.31) or telling the difference between traditional and green investments (3.33). The lowest score is for awareness of the risks involved (3.17), suggesting that many people are less informed about potential challenges.
The factor analysis results demonstrate excellent construct validity for the awareness and understanding of green finance scale. Each of the six items loaded strongly onto the underlying factor, with loadings ranging from 0.791 to 0.932. This indicates that all items are highly representative of the latent construct. In particular, the statement "I am aware of the concept of green finance and its objectives" exhibited an especially strong loading (0.932), underscoring its prominence in defining the construct.

Table no.2 Difference in awareness based on familiarity

Familiarity Level	N	Mean rank
High	18	109.25
Moderate	105	77.56
Low	21	15.71

The table 2 presents the mean rank distribution of awareness and understanding of green finance investments across different levels of familiarity with green finance. It is observed that respondents with higher familiarity exhibits high mean score (109.25), followed by moderate familiarity (77.56) and low familiarity (15.71). This indicates a clear increasing trends in awareness with familarity.

Table no.3 Kruskal–Wallis test result

Variable	Kruskal–Wallis	df	P value
Awareness	54.906	2	<0.001

The results of the Kruskal–Wallis test confirms that the observed differences in awareness and understanding of green finance investments across the groups are statistically significant, $\chi^2(2) = 54.906$, $p < 0.001$.

Table no. 4 Post Hoc Comparison of Awareness by Familiarity Level

Comparison of familiarity Level	U value	P value
High vs Medium	468	0.001
Medium vs Low	94.5	<0.001
High vs Low	4.5	<0.001

Since the Kruskal–Wallis test indicated a statistically significant difference, post hoc pairwise comparisons were conducted using the Mann–Whitney U test with Bonferroni correction to identify differences between specific groups. The result indicates a significant difference between all familiarity groups.

Table no. 5 Environmental impact of Green finance investment

Environmental impact	Frequency	Percent
Significant positive impact	9	6.3
Moderate positive impact	63	43.8
No impact	72	50.0

Half of the respondents (50%) believe green finance investments have no environmental impact, while 43.8% see a moderate positive impact. Only a small proportion (6.3%) perceive a significant positive impact. This suggests that although many recognize some environmental benefits, there is skepticism or uncertainty among participants about the actual effectiveness of green finance in delivering strong environmental outcomes.

Table no.6 Factors influenced the youth to invest in green in finance

Factors	**Frequency**	**Percent**
Ethical/environmental concerns	60	41.7
Potential for high returns	21	14.6

Social responsibility and impact	51	35.4
Advice from trusted sources	6	4.2
Others	6	4.2

The main factor influencing youth to invest in green finance is ethical and environmental concerns (41.7%), showing that values and sustainability play the strongest role in decision-making. This is followed by social responsibility and impact (35.4%), indicating that many young investors are motivated by the desire to contribute positively to society. Financial motivation is less dominant, with only 14.6% and very few are influenced by advice from trusted sources or other reasons (both 4.2%).

Table no.7 Factors influencing youth interest in green finance investments.

Factors	Mean	Standard deviation	Factor loadings
I am motivated to invest in green finance due to my concern for environmental sustainability.	3.83	0.901	0.779
The potential for financial returns influences my interest in green finance investments.	3.46	0.818	0.709
I am influenced by peers or family members who support green finance investments.	3.42	0.957	0.831
Social media and online platforms play a significant role in shaping my interest in green finance.	3.50	0.916	0.804
The availability of accessible and user-friendly investment options increases my interest in green finance.	3.60	0.863	0.908
Educational programs or workshops on green finance would enhance my interest in this area.	3.65	0.832	0.816
I am more likely to invest in green finance if there are tax benefits or government incentives.	3.65	0.857	0.806

The mean value indicates that youth interest in green finance is most strongly influenced by concern for environmental sustainability (mean = 3.83, SD = 0.901), showing that ethical and ecological values are a primary motivator. Other important drivers include educational programs or workshops (mean = 3.65, SD = 0.832) and tax benefits or government incentives (mean = 3.65, SD = 0.857), suggesting that awareness-building initiatives and supportive policies could further encourage participation.

Practical factors also play a notable role, with accessible and user-friendly investment options scoring 3.60 (SD = 0.863) and social media/online platforms influencing interest moderately (mean = 3.50, SD =

0.916). Financial motivations (mean = 3.46, SD = 0.818) and peer or family influence (mean = 3.42, SD = 0.957) are relatively less strong but still contribute to shaping investment decisions.
The factor loading analysis shows that the most influential factor of youth interest in green finance is the availability of accessible and user-friendly investment options (loading = 0.908), indicating that ease of access strongly encourages participation. Other major influences include peer or family support (0.831), educational programs or workshops (0.816), and social media/online platforms (0.804), highlighting the importance of both social influence and information channels.
While environmental sustainability concerns (0.779) and potential financial returns (0.709) are also important, they appear slightly less influential compared to practical accessibility and social exposure. The presence of tax benefits or government incentives (0.806) also shows a strong positive association, suggesting policy support could further stimulate youth engagement in green finance investments.

Table no.8 Challenges Faced by Youth in Participating in Green Finance Investments

Challenges	Frequency	Percent
Lack of information	90	62.5
Lack of financial literacy	21	14.6
Perceived complexity	18	12.5
Limited investment options	12	8.3
Insufficient returns on investment	3	2.1

The most common challenge reported is a lack of information (62.5%), indicating that many young people are unaware of how green finance works or how to get involved. This is followed by lack of financial literacy (14.6%) and perceived complexity (12.5%), suggesting that even when information is available, understanding and navigating green finance can be difficult. Fewer respondents cited limited investment options (8.3%) and insufficient returns (2.1%) as major barriers.

Table no.9 Factor Loadings for Barriers to Participation in Green Finance Investments

Barriers	Statements	Factor loadings
Knowledge and awareness barrier	I find it difficult to access information about green finance opportunities.	0.892
	I believe the lack of financial resources is a significant barrier to participating in green finance.	0.868
	I am unsure about the credibility of green finance investment options.	0.669
	The absence of guidance or mentorship prevents me from engaging in green finance.	0.806

	I believe there are limited platforms or institutions promoting green finance	0.601
	I think there is a lack of awareness campaigns on green finance.	0.688
Practical and structural barrier	I feel that the complexity of green finance concepts discourages my involvement.	0.699
	I perceive green finance investments as risky compared to traditional investments.	0.645
	I feel that the government or policymakers do not provide sufficient incentives for participation in green finance.	0.774
	I find green finance investments to be less appealing due to their long-term nature.	0.928

The factor analysis reveals two key categories of barriers. The first, Knowledge and Awareness Barriers, includes difficulties in accessing information (loading = 0.892), lack of financial resources (0.868), uncertainty about investment credibility (0.669), absence of guidance or mentorship (0.806), limited platforms promoting green finance (0.601), and lack of awareness campaigns (0.688). These highlight that many challenges stem from insufficient information, resources, and institutional support.
The second category, Practical and Structural Barriers, consists of perceived complexity (loading = 0.699), higher perceived risk compared to traditional investments (0.645), insufficient government or policy incentives (0.774), and low appeal due to the long-term nature of returns (0.928). These barriers point to the role of investment perceptions and policy limitations in discouraging youth participation.

Table no. 10 Kruskal–Wallis Test Results for Differences in Perceived Barriers by Youth Familiarity with the Concept of Green Finance

Barriers	Concept of Green Finance	Mean Rank	Kruskal-Wallis H	Sig.
Knowledge and awareness barrier	Very Familiar	100.75	21.660	<0.001
	Somewhat familiar	74.17		
	Not familiar	39.93		
Practical and structural barrier	Very Familiar	99.75	15.090	0.001
	Somewhat familiar	72.41		
	Not familiar	49.57		

The Kruskal–Wallis test results indicate that the null hypothesis is rejected for both barrier categories. Significant differences were found in Knowledge and Awareness Barriers ($H = 21.660$, $p < 0.001$) and Practical and Structural Barriers ($H = 15.090$, $p = 0.001$) among the three familiarity groups.

In both cases, respondents very familiar with green finance reported the highest mean ranks (Knowledge and Awareness = 100.75; Practical and Structural = 99.75), followed by those somewhat familiar (74.17 and 72.41, respectively), while those not familiar reported the lowest mean ranks (39.93 and 49.57). These findings suggest that as familiarity with green finance increases, so does the recognition of potential barriers. Youth with greater exposure to green finance concepts may have a more nuanced understanding of the practical, structural, and informational challenges involved, compared to those with limited or no familiarity.

Table no. 11 Post Hoc Pair wise Comparison of Barriers based on Familiarity with Green Finance

Barriers	Comparison	U value	P value
Knowledge and awareness barrier	High vs Medium	571.50	0.007
	Medium vs Low	553.50	<0.001
	High vs Low	54.00	<0.001
Practical and structural barrier	High vs Medium	562.50	0.005
	Medium vs Low	729.00	0.011
	High vs Low	81.00	0.001

Post hoc analysis confirmed significant differences between all familiarity groups for both types of barriers, indicating that perception of barriers increases significantly with familiarity.

Conclusion

This study highlights that while youth exhibit a reasonable level of general awareness regarding green finance, significant gaps remain in their understanding of specific instruments, risks, and practical aspects of investment. Ethical and environmental considerations are the primary motivators influencing participation, indicating a strong value-driven orientation among young investors. However, skepticism regarding the actual environmental impact and limited financial motivation may hinder active engagement. The findings also reveal that perceived barriers; both knowledge-related and structural increase with familiarity, suggesting that informed individuals are more capable of identifying challenges associated with green finance investments. This underscores the importance of not only increasing awareness but also addressing the complexities and structural limitations within the green finance ecosystem.
To enhance youth participation, policymakers and financial institutions should focus on improving financial literacy, increasing accessibility to reliable information, simplifying investment processes, and offering supportive incentives. Strengthening educational initiatives and awareness campaigns can play a crucial role in bridging the gap between awareness and actual investment behavior, thereby promoting sustainable financial practices among the younger population.

Reference

El Khatib, R. E. (n.d.). Behavioral Determinants of Sustainable Investing: Exploring the Role of the Theory of Planned Behavior, Financial Literacy, and Behavioral Biases among Gen Z and Millennials.

R, A. E. (2025). Assessing Awareness and Perception of Green Finance andItsImpacton Sustainable Development: A Comprehensive Study inBangaloreCity. *International Journal of Research PublicationandReviews*, 2271-2276.

Ramakrishnam Raju , V. V. (2022). AWARENESS OF GREEN FINANCE AMONG THE YOUTH OF HYDERABAD CITY. *International Journal of Multidisciplinary Educational Research*, 115-126.

Unnikrishnan, S., Paliath, R., & Dhanuka, H. (2019). Awareness of Green Financing Among the Youth in Bangalore. *International Journal of Business and Management Invention*, 58-62.

Varmaz, A., Riebe, K., & Hegner, S. (2021). Sustainable Financial Literacy and Preferences for Sustainable Investments among Young Adults.