

THE ROLE OF NBFCs IN PROMOTING GREEN BOND FINANCING FOR SUSTAINABLE DEVELOPMENT

Dr. Shabana.S, Assistant Professor, School of Commerce, Nehru Arts and Science College, Nehru Gardens, Thirumalayampalayam, Coimbatore, Email: nascshabanas@nehrucolleges.com

Thilaka Vadivel, Pragathi R, Mohamed Fayaz M,

B. Com PA, Department of Commerce, Nehru Arts and Science College, Nehru Gardens, Thirumalayampalayam, Coimbatore.

Abstract

Sustainable development has become a major priority for economies across the world as environmental challenges and climate change continue to intensify. In recent years, green finance has emerged as an important mechanism to support environmentally sustainable projects. Among various financial instruments, green bonds have gained significant attention as they help mobilize capital for renewable energy, clean transportation, pollution control, and other environmentally responsible initiatives. Non-Banking Financial Companies (NBFCs) play a crucial role in the financial system by providing credit and investment support to sectors that may not have easy access to traditional banking services. This study aims to examine the role of NBFCs in promoting green bond financing and supporting sustainable development. The research focuses on understanding the awareness, opportunities, and challenges associated with green bonds among NBFCs. Primary data was collected through structured questionnaires from financial professionals, while secondary data was obtained from journals, reports, and financial publications. Statistical tools such as simple percentage analysis and mean score analysis were used to interpret the data. The findings reveal that NBFCs have significant potential to contribute to green finance by supporting sustainable projects and encouraging investment in green bonds. However, challenges such as lack of awareness, regulatory complexities, and limited market participation still exist. The study suggests that improving awareness and strengthening policy frameworks can enhance the participation of NBFCs in the green bond market.

Keywords: *Green Bonds, NBFCs, Sustainable Finance, Environmental Investment, Green Economy.*

Introduction

In recent years, the concept of sustainable development has gained global attention due to increasing environmental concerns and climate change. Governments, financial institutions, and businesses are actively exploring ways to finance environmentally sustainable projects. One of the most important financial innovations in this area is the development of green finance, which focuses on funding projects that promote environmental sustainability and reduce carbon emissions. Green bonds have emerged as an important financial instrument for raising funds for environmentally friendly projects. These bonds are similar to conventional bonds but the funds raised are specifically used for projects such as renewable energy, pollution control, clean transportation, water conservation, and sustainable agriculture. The green bond market has grown rapidly worldwide as investors are increasingly interested in environmentally responsible investments.

In India, the development of green finance has gained momentum in recent years. Financial institutions, including banks and Non-Banking Financial Companies (NBFCs), are playing an important role in supporting environmentally sustainable investments. NBFCs are particularly significant because they provide financial services to sectors that are often underserved by traditional banks, such as small businesses, rural customers, and emerging

industries. NBFCs act as important intermediaries in mobilizing financial resources and providing credit support to various sectors of the economy. Their flexibility, innovative lending practices, and strong regional presence make them well suited to support sustainable projects. By participating in green bond financing, NBFCs can help channel funds toward environmentally responsible investments and contribute to sustainable economic growth.

Despite the growing importance of green finance, the participation of NBFCs in the green bond market remains relatively limited. Several factors such as lack of awareness, regulatory challenges, and limited market infrastructure may affect their involvement. Therefore, it is important to analyse the role of NBFCs in promoting green bond financing and identify the opportunities and challenges associated with this emerging financial market. This study aims to examine the role of NBFCs in supporting green bond financing and understand how these institutions can contribute to sustainable development.

Review of Literature

Garg (2017) explained the concept of sustainable finance and emphasized the importance of financial instruments such as green bonds in supporting environmentally responsible projects. **Kumar (2018)** studied the development of the green bond market and found that increasing investor awareness and regulatory support are essential for its growth. **Sharma and Singh (2019)** analysed the role of financial institutions in green financing and concluded that banks and NBFCs can play a major role in mobilizing funds for sustainable projects. **Patil (2020)** examined the role of financial intermediaries in promoting environmentally responsible investments and highlighted that improved policy support can encourage institutions to participate in green bond markets. **Reddy and Rao (2021)** studied sustainable finance in emerging economies and found that financial institutions must adopt innovative financing mechanisms to support climate-friendly development.

Statement of the Problem

Environmental sustainability has become a major global concern due to climate change, pollution, and resource depletion. Financing environmentally friendly projects requires large investments, and traditional financial systems alone may not be sufficient to meet these funding needs. Green bonds have emerged as an important financial instrument to raise funds for sustainable projects. However, the participation of financial intermediaries such as NBFCs in the green bond market is still developing. Many NBFCs may face challenges such as limited awareness of green financial instruments, regulatory complexities, and lack of expertise in evaluating green projects.

In addition, the green bond market in India is still in its early stages of development. Investors and financial institutions may not fully understand the potential benefits and opportunities associated with green bonds. As a result, the level of investment in environmentally sustainable projects may remain limited. Understanding the role of NBFCs in promoting green finance is important because these institutions have the potential to mobilize capital and support sustainable development initiatives. Therefore, this study seeks to examine the role of NBFCs in green bond financing and identify the key challenges and opportunities associated with their participation in the green bond market.

Objectives of the Study

1. To examine how NBFCs support green financing initiatives in Coimbatore.
2. To examine the involvement and awareness of NBFCs in green financing and sustainable investment activities.
3. To assess the challenges faced by NBFCs in issuing or investing in green bonds.

Scope of the Study

The study focuses on the role of Non-Banking Financial Companies in promoting green bond financing for sustainable development. It examines the awareness, perception, and involvement of financial professionals regarding green bonds. The research is limited to selected respondents working in the financial sector, particularly in and around Coimbatore.

The study mainly focuses on understanding the potential of NBFCs to support green investments and contribute to environmental sustainability.

The findings of this study may be useful for policymakers, financial institutions, researchers, and investors interested in green finance and sustainable investment opportunities.

Research Methodology

Research methodology refers to the systematic process used to collect, analyse, and interpret data for achieving the objectives of a research study.

Research Design

The study adopts a descriptive research design to examine the role of NBFCs in promoting green bond financing.

Sources of Data

Primary data was collected through structured questionnaires distributed to financial professionals and individuals working in the financial sector.

Sampling Method

The study used a convenience sampling method to select respondents who were willing to participate in the survey.

Sample Size

The study was conducted with a sample size of 89 respondents from the financial sector.

Tools for Data Analysis

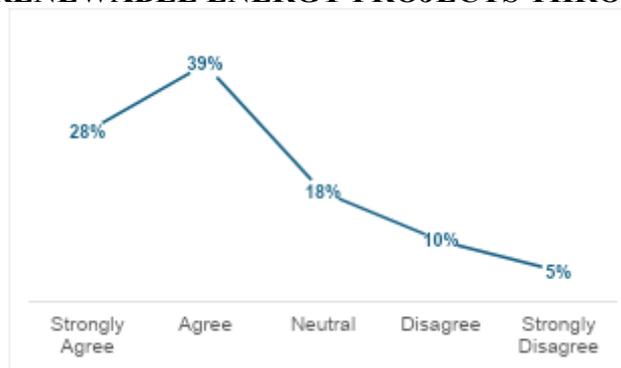
The collected data was analysed using the following statistical tools:

- Simple Percentage Analysis
- Weighted Average Method
- Correlation

These tools helped in interpreting the responses and identifying patterns related to green bond awareness and NBFC participation

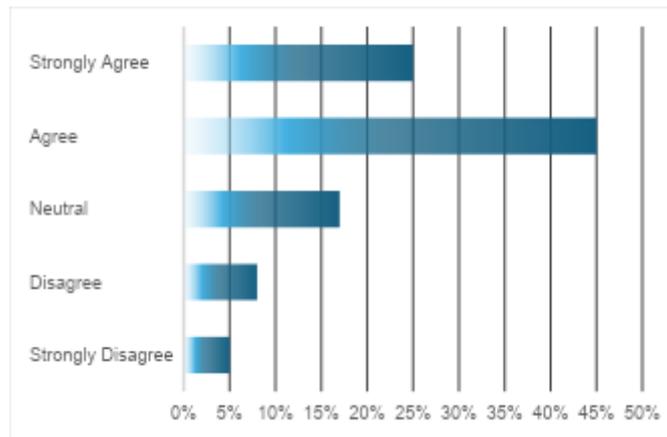
Data analysis and interpretation

NBFCs FINANCE RENEWABLE ENERGY PROJECTS THROUGH GREEN BOND



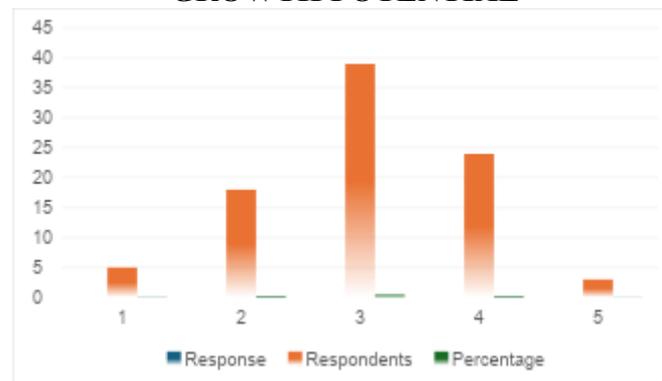
The majority (67%) believe that NBFCs finance renewable energy projects using green bonds, indicating that these institutions are increasingly involved in funding environmentally friendly initiatives.

GREEN BONDS PROMOTE SUSTAINABLE DEVELOPMENT IN CBE



A large majority (70%) believe that green bonds contribute to sustainable development in Coimbatore. This shows strong confidence in the role of green finance instruments in supporting environmental initiatives such as renewable energy, energy efficiency, and sustainable infrastructure projects.

GROWTH POTENTIAL



The findings show that 43.8% of respondents remain neutral about the growth potential of the green bond market in the next five years. Around 27% agree, while 3.4% strongly agree. Meanwhile, 20.2% disagree and 5.6% strongly disagree. These results indicate cautious optimism about future growth. Increased policy support and awareness may help strengthen confidence in the market.

CORRELATION BETWEEN EDUCATIONAL QUALIFICATION AND OPINION TOWARD GREEN FINANCE

Variables	Educational Qualification	Opinion toward Green Finance
Educational Qualification	1	0.41
Opinion toward Green Finance	0.41	1

Correlation Coefficient (r) = 0.41

The correlation analysis indicates a moderate positive relationship ($r = 0.41$) between educational qualification and opinion toward green finance. This suggests that respondents with higher educational qualifications tend to show more positive attitudes toward sustainable financial instruments such as green bonds. The result implies that education may play an important role in increasing awareness and acceptance of environmentally responsible financial initiatives.

Results and Discussion

The findings of the study indicate that awareness of green bonds is gradually increasing among financial professionals. Many respondents recognize the importance of sustainable finance and the potential of green bonds in supporting environmentally friendly projects.

The study also reveals that NBFCs have significant potential to promote green finance because of their flexible lending practices and strong presence in regional markets. They can support green projects such as renewable energy installations, electric vehicles, and energy-efficient infrastructure.

However, several challenges still exist. Some respondents reported limited awareness about green financial instruments and lack of technical expertise in evaluating green projects. Regulatory complexities and limited market infrastructure were also identified as barriers to the growth of green bond financing.

Despite these challenges, the overall perception of green bonds among respondents is positive. With appropriate policy support, awareness programs, and financial incentives, NBFCs can play a significant role in expanding the green bond market in India.

Conclusion

Green finance has become an essential component of sustainable economic development. Among various financial instruments, green bonds provide an effective mechanism to mobilize funds for environmentally responsible projects. This study highlights the important role that NBFCs can play in promoting green bond financing. Their flexibility, regional presence, and ability to support emerging sectors make them well suited to participate in sustainable financing initiatives. However, the study also identifies several challenges, including limited awareness, regulatory barriers, and lack of technical expertise in evaluating green projects. Addressing these challenges through policy support, awareness programs, and improved financial infrastructure can enhance the participation of NBFCs in the green bond market. By encouraging greater involvement of financial institutions in green finance, India can accelerate its transition toward a more sustainable and environmentally responsible economy.

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