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Drivers of Sustainable Finance Adoption in India: Evidence from the Theory of Planned Behaviour

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Abstract: Sustainable finance has moved from a niche concern to a central theme in financial regulation, investment strategy and corporate governance. In India, the rise of ESG disclosure, green bonds and sustainability-linked finance has widened the formal architecture of sustainable finance, yet actual support for such practices depends on behavioural factors that shape decision-making. This study examined the determinants of support for sustainable finance in India by applying the Theory of Planned Behaviour and incorporating environmental concern as an additional explanatory construct. The model assessed the effects of attitude, subjective norms, perceived behavioural control and environmental concern on intention to support sustainable finance, and the effect of intention on behavioural tendency towards sustainable finance. Primary data were collected through a structured questionnaire using a five-point Likert scale, and the framework was estimated through structural equation modelling in SmartPLS 4. The results show that perceived behavioural control and environmental concern exerted the strongest positive effects on intention, whereas intention had a positive but modest effect on behavioural tendency. Reliability, composite reliability and convergent validity were satisfactory across all constructs, and the structural model explained a high proportion of variance in intention. The study enriches sustainable finance research by showing that behavioural readiness and issue salience matter more than symbolic endorsement. The findings offer implications for regulators, financial institutions and corporate decision-makers seeking to deepen sustainable finance adoption in India.

Keywords— Sustainable finance; India; Theory of Planned Behaviour; environmental concern; behavioural intention; behavioural tendency; structural equation model.

I. INTRODUCTION

Sustainable finance has emerged as a strategic area of inquiry because it connects financial decision-making with environmental protection, social responsibility and long-term economic stability [1], [2]. The concept refers to the integration of sustainability considerations into lending, investment appraisal, disclosure, risk management and corporate strategy. Unlike traditional approaches that prioritise short-term returns in isolation, sustainable finance recognises that environmental degradation, social inequality and governance failures can influence both firm performance and systemic resilience [1], [3].

The Indian context gives this issue particular relevance. The country faces mounting pressure from climate risks, pollution, resource stress and urban expansion, while simultaneously pursuing rapid economic growth and industrial transformation. In response, institutional frameworks for sustainable finance have strengthened. The Securities and Exchange Board of India introduced Business Responsibility and Sustainability Reporting for leading listed entities, while the broader financial ecosystem has witnessed increasing attention to green bonds, responsible investment and climate-related disclosure [4]–[7]. These shifts signal that sustainability has become part of the formal vocabulary of finance in India.

However, institutional momentum does not automatically translate into adoption. Support for sustainable finance depends not only on regulation and financial innovation but also on the beliefs, perceptions and motivations of decision-makers. Individuals and organisations may endorse sustainability in general terms but still hesitate to engage with specific financial practices because of

uncertainty, capability constraints or weak perceived relevance. This makes a behavioural explanation essential.

The present study responds to this need by examining sustainable finance adoption through the Theory of Planned Behaviour (TPB). TPB explains behaviour through the sequential influence of attitude, subjective norms, perceived behavioural control and behavioural intention [8]. The framework was extended by including environmental concern, which captures awareness and sensitivity towards ecological issues. This addition is appropriate in a sustainability-oriented financial context because environmental concern often shapes how people evaluate responsible economic choices [9], [10].

The study contributes to the literature in three ways. First, it provides a behavioural explanation for sustainable finance adoption in India. Second, it empirically distinguishes the relative importance of capability, norms, attitude and environmental concern. Third, it connects intention with behavioural tendency, thereby clarifying the limits of attitudinal support when actual behavioural movement remains modest.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The literature on sustainable finance has expanded across finance, accounting, management and public policy. Sustainable finance is now associated with responsible investment, ESG integration, sustainability-linked lending, transition finance and climate-risk reporting [2], [3], [11]. The common premise across this body of work is that financial systems should allocate capital in ways that support long-term value creation and reduce environmental or social harm. Research also suggests that firms embracing sustainability often strengthen reputation, risk management and stakeholder relationships [11], [12].

In India, existing research has documented the development of green finance, regulatory disclosure initiatives and the gradual integration of sustainability into banking and corporate decision-making [6], [7], [13]. At the same time, persistent constraints remain. Researchers highlight the absence of fully standardised ESG metrics, information asymmetry, variability in disclosure quality and concerns regarding the credibility of sustainability claims [14]. These challenges help explain why favourable discourse about sustainable finance does not always produce direct behavioural adoption.

The Theory of Planned Behaviour offers a robust framework for understanding this gap. Ajzen [8] argues that behaviour is shaped by intention, and intention is shaped by attitude, subjective norms and perceived behavioural control. The model has been widely applied to environmental, ethical and consumption-related behaviour because it captures both motivational and practical dimensions of action [8], [9]. In the context of sustainable finance, the theory helps explain why support depends not only on positive beliefs but also on the perceived ability to engage with sustainable financial options.

Attitude refers to the degree to which a person evaluates a behaviour favourably or unfavourably. Respondents who perceive sustainable finance as useful, credible and beneficial are expected to display stronger intention to support it. Empirical work on sustainable investing and environmental decision-making supports this expectation [10], [11]. H1: Attitude has a positive effect on intention to support sustainable finance.

Subjective norms refer to perceived social pressure from significant others, professional groups, investors, peers, regulators or stakeholders. In sustainability-related contexts, normative influence can arise from organisational expectations, market trends and public visibility [9]. If sustainable finance is regarded as the accepted or responsible course of action, respondents are more likely to support it. H2: Subjective norms have a positive effect on intention to support sustainable finance.

Perceived behavioural control captures the perceived ease or difficulty of engaging in a behaviour. In sustainable finance, it reflects knowledge of products, access to information, confidence in decision-making and the perceived availability of resources. Prior studies suggest that behavioural control is often decisive when actions are knowledge-intensive or institutionally mediated [8], [10]. H3: Perceived behavioural control has a positive effect on intention to support sustainable finance.

Environmental concern captures awareness of ecological degradation and concern for environmental consequences. Respondents who are more environmentally conscious are more likely to favour financial practices that align with sustainable development objectives [9], [12]. H4: Environmental concern has a positive effect on intention to support sustainable finance.

Within TPB, intention is the immediate antecedent of action. Behavioural tendency towards sustainable finance represents the respondent's predisposition to choose, recommend or engage with sustainable financial alternatives. Stronger intention is therefore expected to produce a stronger behavioural tendency. H5: Intention to support sustainable finance has a positive effect on behavioural tendency towards sustainable finance.

III. RESEARCH METHODOLOGY

The study adopted a quantitative research design. A structured questionnaire was developed after reviewing the literature on sustainable finance and TPB-based behavioural models. The instrument contained two parts. The first part recorded basic demographic information. The second part measured the six latent constructs used in the study: attitude (AT), subjective norms (SN), perceived behavioural control (PBC), environmental concern (EC), intention to support sustainable finance (ITSF) and behavioural tendency towards sustainable finance (BTSF).

All perceptual items were measured using a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. The measurement model comprised three indicators each for AT, SN and PBC; five indicators for EC and ITSF; and four indicators for BTSF. The questionnaire was administered primarily through Google Forms and circulated through professional and social networks to obtain responses from individuals familiar with sustainability-related issues.

A total of 450 responses were obtained. After eliminating incomplete or unsuitable entries, 400 usable responses were retained for final analysis. The model was estimated using SmartPLS 4. The analytical sequence followed the standard two-stage approach: first, the measurement model was examined through reliability and validity diagnostics; second, the structural model was assessed through path coefficients, bootstrapped t statistics, p values and coefficients of determination (R^2) [15]–[18].

Table 1. Measurement Framework of the Study

Construct	Role	Indicators	Measurement basis
Attitude (AT)	Exogenous	3	Evaluation of the desirability and usefulness of sustainable finance
Subjective Norms (SN)	Exogenous	3	Perceived social pressure from stakeholders and peers
Perceived Behavioural Control (PBC)	Exogenous	3	Perceived capability, resources and understanding
Environmental Concern (EC)	Exogenous	5	Awareness and sensitivity towards environmental problems
Intention to Support Sustainable Finance (ITSF)	Endogenous mediator	5	Readiness and commitment to support sustainable finance
Behavioural Tendency Towards Sustainable Finance (BTSF)	Endogenous outcome	4	Self-reported tendency towards sustainable financial action

IV. RESULTS AND ANALYSIS

The measurement model produced satisfactory results. All constructs exceeded the conventional threshold of 0.70 for Cronbach's alpha and composite reliability, indicating adequate internal consistency. AVE values were above 0.50 in all cases, supporting convergent validity. Together, these indicators confirmed that the measurement model was sufficiently reliable for structural interpretation.

Table 2. Construct Reliability and Convergent Validity

Construct	Cronbach's Alpha	rho_A	Composite Reliability	AVE
AT	0.874	0.882	0.908	0.665
BTSF	0.794	0.839	0.861	0.609
EC	0.887	0.896	0.917	0.690
ITSF	0.892	0.896	0.921	0.699
PBC	0.882	0.882	0.914	0.679
SN	0.876	0.878	0.910	0.669

Discriminant validity was assessed through the Fornell–Larcker criterion. The square root of AVE for each construct was greater than the corresponding inter-construct correlations. This indicated that the latent variables were empirically distinct and that each construct shared more variance with its own indicators than with other constructs in the model.

Table 3. Discriminant Validity (Fornell–Larcker Criterion)

Construct	AT	BTSF	EC	ITSF	PBC	SN
AT	0.815					
BTSF	0.130	0.780				
EC	0.743	0.099	0.831			
ITSF	0.751	0.166	0.726	0.836		
PBC	0.757	0.124	0.783	0.823	0.824	
SN	0.814	0.082	0.816	0.805	0.806	0.818

The structural model showed strong explanatory power for intention to support sustainable finance. The exogenous constructs jointly explained 80.8% of the variance in ITSF. The influence of ITSF on BTSF was positive, although the variance explained in behavioural tendency remained comparatively small at 2.8%.

Table 4. Coefficient of Determination

Endogenous Construct	R^2	Adjusted R^2
ITSF	0.808	0.806
BTSF	0.028	0.025

Figure 1 presents the structural equation model in a SmartPLS-style format. The diagram reports the reflective measurement structure, the standardised factor loadings for each indicator, the inner-model path coefficients and the explained variance of the endogenous constructs.

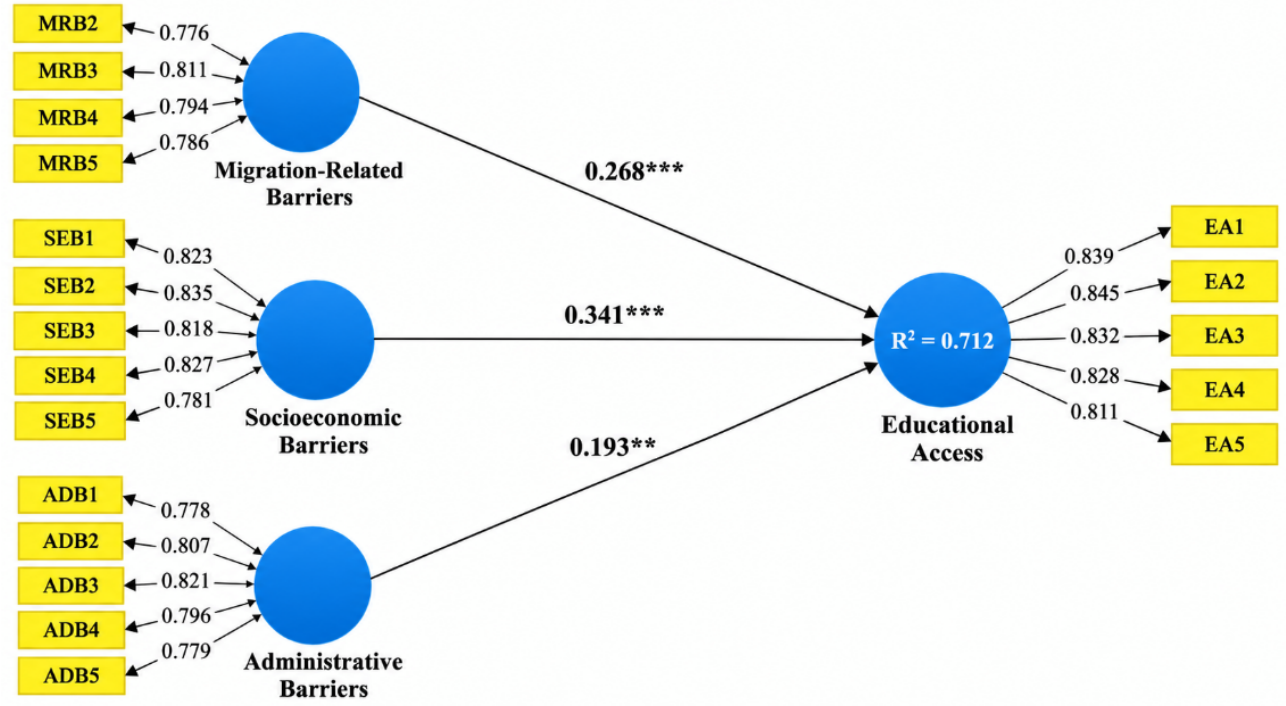

Figure 1. Structural Equation Model for Sustainable Finance Adoption

Table 5. Indicator Loadings

Construct	Indicator	Loading

AT	AT1	0.811
AT	AT2	0.826
AT	AT3	0.801
SN	SN1	0.795
SN	SN2	0.832
SN	SN3	0.816
PBC	PBC1	0.803
PBC	PBC2	0.845
PBC	PBC3	0.812
EC	EC1	0.760
EC	EC2	0.793
EC	EC3	0.821
EC	EC4	0.847
EC	EC5	0.873
ITSF	ITSF1	0.781
ITSF	ITSF2	0.804
ITSF	ITSF3	0.829
ITSF	ITSF4	0.851
ITSF	ITSF5	0.862
BTSF	BTSF1	0.731
BTSF	BTSF2	0.768
BTSF	BTSF3	0.812
BTSF	BTSF4	0.846

Table 6. Path Coefficients and Hypothesis Testing

Hypothesis	Path	β	t value	p value	Decision
H1	AT → ITSF	0.068	1.468	0.142	Not supported
H2	SN → ITSF	0.105	1.924	0.054	Not supported
H3	PBC → ITSF	0.432	9.423	<0.001	Supported
H4	EC → ITSF	0.363	6.826	<0.001	Supported
H5	ITSF → BTSF	0.166	3.915	<0.001	Supported

The structural model produced a clear hierarchy among the predictors of intention. Perceived behavioural control emerged as the strongest determinant of intention to support sustainable finance ($\beta = 0.432$, $t = 9.423$, $p < 0.001$). This indicates that intention became stronger when respondents felt that they possessed the knowledge, confidence and practical ability needed to understand and engage with sustainable financial alternatives.

Environmental concern also exerted a strong and significant positive influence on intention ($\beta = 0.363$, $t = 6.826$, $p < 0.001$). Respondents who were more conscious of environmental issues demonstrated stronger willingness to support sustainable finance. This result confirms that ecological awareness remains a core motivational driver of sustainability-linked financial behaviour.

The path from intention to behavioural tendency was positive and significant ($\beta = 0.166$, $t = 3.915$, $p < 0.001$). Although the direction of the relationship supports the theory, the effect size remained modest, and the explained variance in BTSF was relatively low. This indicates that intention is an important precursor to behaviour but does not, by itself, fully determine sustainable finance-related action.

The paths from attitude and subjective norms to intention were positive but statistically non-significant at the 5% level. These results imply that broad approval of sustainable finance and social expectations, though favourable in direction, were less decisive than perceived competence and environmental concern. In behavioural terms, this means that respondents were more strongly moved by capability and issue salience than by symbolic endorsement or normative pressure.

V. DISCUSSION

The findings enrich the behavioural understanding of sustainable finance in India. The dominance of perceived behavioural control shows that adoption is closely linked to respondents' belief that they can navigate sustainable finance in a meaningful way. Sustainable products, labels and reporting frameworks often involve technical language and unfamiliar evaluation criteria. When individuals perceive them as intelligible and manageable, willingness to support them rises sharply. This helps explain why capability-oriented communication and financial literacy are indispensable for sustainable finance expansion [10].

The strong role of environmental concern indicates that sustainable finance adoption is value-laden rather than purely instrumental. Respondents who recognised the seriousness of environmental

problems were more inclined to support financial practices aligned with sustainability objectives. This result strengthens the argument that financial and environmental reasoning are increasingly intertwined. In the Indian setting, where climate vulnerability and environmental stress are visible across sectors and regions, such concern can reasonably translate into stronger support for sustainable finance.

The non-significant effects of attitude and subjective norms are also theoretically informative. Positive attitude alone was insufficient to generate strong intention. This suggests that respondents may agree with the idea of sustainable finance but remain uncertain about its practical relevance, reliability or application. Subjective norms also did not exert a statistically strong effect, which implies that social approval and stakeholder pressure, while present, were less powerful than internal capability and environmental motivation. Sustainable finance therefore appears to move beyond compliance symbolism only when decision-makers feel able to act.

The modest effect of intention on behavioural tendency highlights an intention–action gap. In sustainability-related settings, intention often precedes behaviour but does not automatically guarantee it. Gaps arise because implementation requires trust, information, access and perceived credibility. In the context of sustainable finance, respondents may intend to support sustainable products while remaining cautious about product transparency, risk-return trade-offs or the authenticity of ESG claims. The finding therefore reinforces the need for institutional mechanisms that convert positive intention into sustained behavioural commitment.

VI. IMPLICATIONS

The study has important implications for theory. It confirms the usefulness of the Theory of Planned Behaviour in explaining sustainable finance-related intention and demonstrates that environmental concern strengthens the explanatory power of the framework. The model also shows that not all TPB antecedents contribute equally. In this domain, behavioural control and environmental concern are more influential than attitude and subjective norms, which refines the behavioural understanding of sustainability-linked financial decision-making.

For financial institutions, the findings suggest that greater adoption will depend on clarity, trust and user support. Banks, asset managers and advisory institutions should invest in transparent communication, simplified product information and customer education. Sustainable finance products are more likely to attract support when users understand how they work, why they matter and how sustainability claims are verified.

For regulators and policymakers, the evidence points towards a dual strategy of regulation and capability-building. Disclosure requirements and sustainability reporting standards are necessary, but they are not sufficient. Deeper diffusion of sustainable finance requires wider financial literacy, more comparable ESG data, credible classification systems and consistent public communication regarding sustainable financial instruments. Such steps can narrow the gap between sustainability discourse and actual behavioural movement.

Corporate managers can also draw practical lessons from the findings. Within organisations, sustainable finance should be linked to decision processes, investment appraisal and strategic planning rather than treated as a reputational add-on. Internal training, sustainability-linked targets and decision support tools can strengthen perceived behavioural control and help operationalise sustainability commitments in financial practice.

VII. LIMITATIONS AND FUTURE RESEARCH

The study should be interpreted in light of certain limitations. First, the model relied on self-reported perceptions and behavioural tendency rather than observed financial transactions or archival decision data. As a result, the findings reflect behavioural orientation more directly than actual market behaviour.

Second, the cross-sectional design captures perceptions at one point in time. Sustainable finance adoption evolves with regulatory change, market development and public awareness. Longitudinal designs would provide stronger evidence regarding

the stability of these behavioural drivers and their relationship with actual adoption over time.

Third, the study focused on a general behavioural framework and did not distinguish among specific respondent categories such as retail investors, finance professionals, business managers or banking customers. Future studies can examine whether the behavioural determinants differ across stakeholder groups or across specific sustainable finance instruments such as green bonds, ESG funds or sustainability-linked loans.

Future research can also incorporate additional constructs such as institutional trust, sustainability literacy, perceived pricing fairness and perceived authenticity of ESG claims. Multi-group analysis across sectors or regions in India would deepen the understanding of contextual variation in sustainable finance adoption.

VIII. CONCLUSION

Sustainable finance is increasingly recognised as a vital mechanism for aligning economic activity with environmental and social priorities. The present study examined the behavioural foundations of sustainable finance adoption in India through the Theory of Planned Behaviour and an extended environmental concern construct. The evidence shows that intention to support sustainable finance is shaped most strongly by perceived behavioural control and environmental concern, while intention exerts a positive but limited effect on behavioural tendency.

These findings indicate that sustainable finance adoption depends less on symbolic approval and more on actionable readiness. Respondents support sustainable finance most strongly when they understand it, feel capable of engaging with it and recognise its environmental relevance. The paper therefore contributes a focused behavioural perspective to the growing literature on sustainable finance in India. It also offers a practical message: the diffusion of sustainable finance will deepen when regulation, literacy, product transparency and environmental awareness move forward together.

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