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Purchase Intention Towards L&T Green Bonds Among Indian Retail Investors: An ESG Factors and TPB Framework Analysis

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ABSTRACT

Environmental, Social, and Governance (ESG) investing has gained increasing attention in recent years as investors seek to align financial decisions with sustainability and responsible business practices. This study examines the influence of ESG factors on the investment intention of Indian retail investors through the lens of the Theory of Planned Behaviour (TPB). In this study, the TPB framework is adapted by aligning attitude with environmental factors, subjective norms with social factors, and perceived behavioral control with governance factors. The research adopts a quantitative approach and uses survey-based primary data collected from retail investors in India. Structural Equation Modeling (SEM) is employed to examine the relationships among ESG dimensions and investment intention. The findings indicate that environmental, social, and governance factors all have a significant positive influence on investment intention, with governance emerging as the strongest predictor. The results also confirm that the proposed model provides a good fit to the data and supports the relevance of the adapted TPB framework in explaining ESG-based investment behavior. The study contributes to the growing literature on sustainable finance by offering empirical evidence from the Indian context and provides useful insights for investors, policymakers, and financial institutions seeking to promote responsible investment practices.

KEY WORDS

ESG investing, investment intention, retail investors, Theory of Planned Behaviour, sustainable finance, environmental factors, social factors, governance factors, SEM, India

I INTRODUCTION

In recent years, sustainability has become an important issue in the investment sector. ESG, which stands for Environmental, Social, and Governance, is now considered an important factor in investment decisions. It is not only used to measure a company's commitment to sustainability but also to understand its long-term performance and risk management.

The environmental aspect of ESG includes issues such as carbon emissions, renewable energy, waste management, and biodiversity. Companies that manage environmental risks well are often seen as more stable and better prepared for future challenges. Investors also view environmental performance as a sign of long-term sustainability.

The social aspect focuses on how a company treats its employees, customers, and society. It includes topics such as gender equality, worker rights, social responsibility, and community development. Companies with strong social practices often build better reputations and stronger relationships with stakeholders.

The governance aspect includes board structure, transparency, ethics, and anti-corruption policies. Good governance helps build investor trust and supports better decision-making. It also strengthens environmental and social practices within the company.

Sustainability reporting has also become an important way for companies to share information about their environmental, social, and economic performance. Reporting standards such as GRI and SASB help companies present this information in a clear and reliable way. However, differences in reporting standards and difficulties in measuring long-term impact still remain challenges.

This study aims to examine how ESG factors influence investment decisions, how corporate governance affects the relationship between ESG and financial performance, and how sustainability reporting shapes investor confidence. The study is expected to provide useful insights for companies, investors, and policymakers in promoting sustainable investment practices

II REVIEW OF LITERATURE

Richards, L. J., & Johnson, M. S. (2024).

This study takes a forward-looking approach to agile HR and employee well-being, examining how firms may maintain well-being in the face of changing workplace trends such as hybrid work and digital transformation. According to the authors, agile HR plays an important role in tackling mental health issues by encouraging flexibility, open communication, and tailored well-being programs. Their findings imply that agile HR will continue to influence workplace well-being practices in the future years.

Cai, F. (2023).

This paper provides an in-depth theoretical and empirical study on the relationship between ESG factors and investment decisions, focusing on financial environmental risks. According to the author, ESG elements like environment, society, and governance play a comprehensive role in evaluating enterprise performance and risk in changing financial environments. The findings highlight that ESG-integrated investment strategies achieve better long-term returns, promoting sustainable development of financial markets.

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Ajzen (1991)

This study introduces the Theory of Planned Behavior, explaining that behavioral intention is shaped by attitude, subjective norms, and perceived behavioral control. ESG factors influence these constructs and thereby affect investment decisions.

Sultana et al. (2018)

This study applies a TPB framework and finds that ESG awareness explains up to 45% of variance in investment intention when all dimensions are combined.

Kautish et al. (2020)

This study uses SEM to demonstrate that ESG-related attitudes significantly influence investment intention ($\beta = 0.52$), with subjective norms and perceived behavioral control also contributing.

Paul et al. (2016)

This study finds that integrating ethical and environmental concerns into TPB increases the model's explanatory power from 0.40 to 0.62.

Bodhanwala & Bodhanwala (2022)

This study emphasizes that ESG factors collectively influence investor confidence more effectively than individual components.

Maji & Lohia (2023)

This study concludes that aggregated ESG scores have a stronger relationship with firm performance compared to individual ESG dimensions, highlighting their synergistic effect

III OBJECTIVES OF THE STUDY

Primary Objective:

A study on the impact of Environmental, Social, and Governance factors on investment intention among Indian retail investors through the lens of the Theory of Planned Behaviour.

Secondary Objectives:

1. To assess the influence of environmental factors on ESG investment decisions (H1)

2. To evaluate the role of social factors in shaping investment intentions (H2)

3. To analyse governance factors' effect on investment behaviour (H3)

4. To test the combined predictive power of ESG factors on investment intention using the TPB framework (H4).

IV RESEARCH METHODOLGY

Research Meaning

Research is a systematic process of collecting, organizing, and analyzing data to enhance knowledge and understanding. It involves minimizing bias and validating findings through structured methods.

Research Design

This study adopts a descriptive research design to systematically describe characteristics of the population. It focuses on answering “who, what, and how” without establishing causal relationships.

Sampling Method

Convenience sampling was used to select respondents based on accessibility and relevance to the study.

Sources of Data

The study is based on primary data.

Primary Data

Primary data were directly collected from respondents through a structured questionnaire.

Total Population

The total population comprised 350 investors across INDIA.

Data Collection

Data were collected from 350 respondents using a well-structured questionnaire within a defined time period, based on Morgan’s table.

Calculation of sample size:

- Population size (**N**) = Infinte
- Population proportion (**P**) = 0.6 (from pilot study)

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- Margin of error (**d**) = 0.05
- Chi-square value for 95% confidence level ($\mathbf{X^2}$) = 3.841

Steps:

$S = [X^2 \times P \times (1-P)] / d^2$

$S = [3.841 \times 0.6 \times 0.4] / 0.05^2$

$S = [0.92256] / 0.0025$

$S = 369 \approx 350$

Thus, Cochran's formula for infinite population confirms a required sample size of 370 at 95% confidence level and 5% margin of error (P=0.6 from pilot study). The study successfully collected 364 responses, yielding 350 valid cases after data screening, fully satisfying statistical power requirements for robust CFA/SEM analysis.

ResearchTools

The data were analyzed using:

- Multiple Regression
- Structural Equation Model

Normality Test

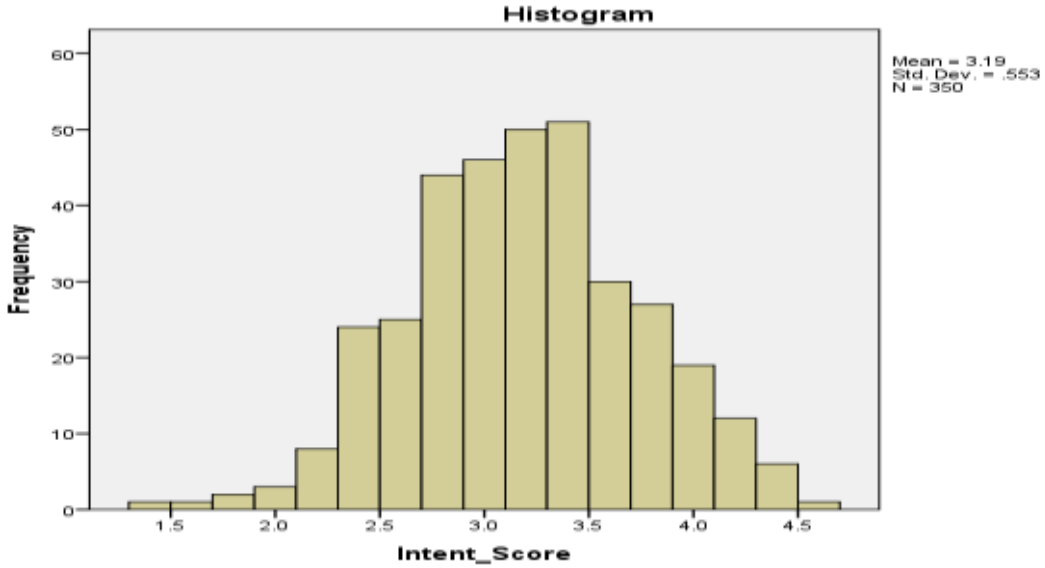

Chart 1: Histogram showing distribution of Intent_Score

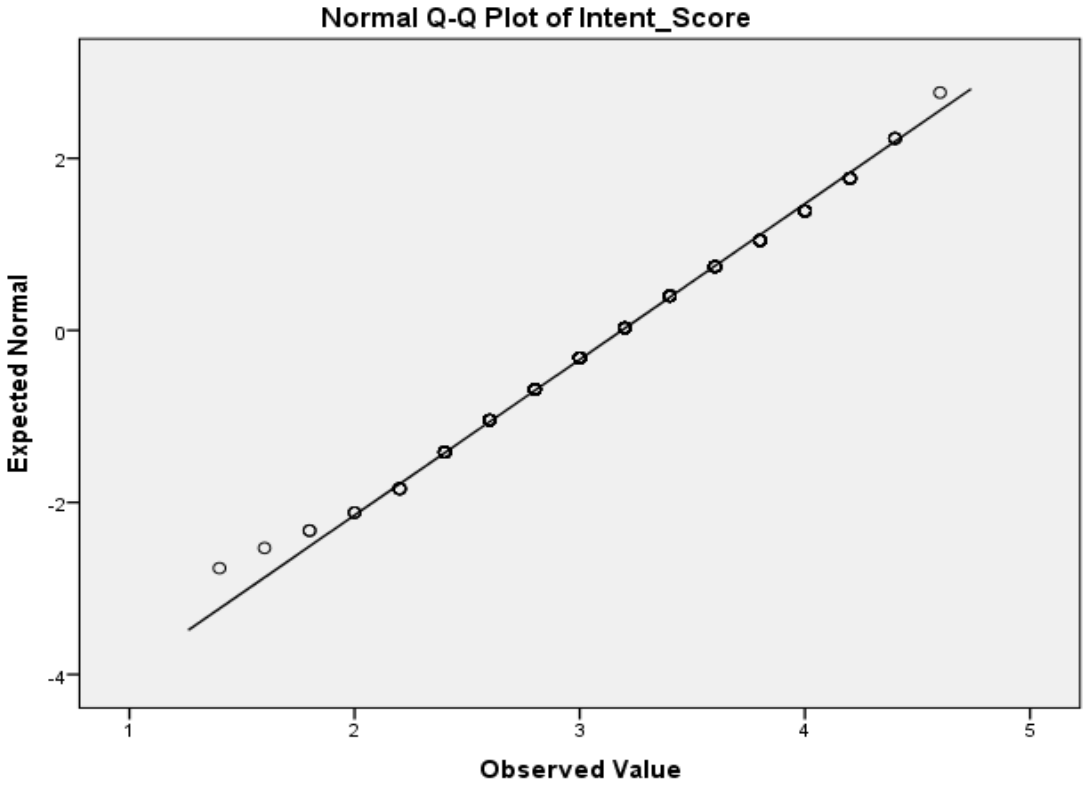

Chart 2: Normal Q-Q Plot of Intent_Score

Thus, the graphical representations further confirm that the data is approximately normally distributed.

V RESULT AND DISCUSSION

MULTIPLE REGRESSION ANALYSIS

H_0: There is no significant impact of environmental factors on the investment decision of investors in India.

H_1: There is a significant impact of environmental factors on the investment decision of investors in India.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.176[a]	.031	.028	.5447	.031	11.130	1	348	.001

a. Predictors: (Constant), Env_Score

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.302	1	3.302	11.130	.001[b]
	Residual	103.238	348	.297		
	Total	106.540	349			

a. Dependent Variable: Intent_Score

b. Predictors: (Constant), Env_Score

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.827	.112		25.292	.000
	Env_Score	.127	.038	.176	3.336	.001

a. Dependent Variable: Intent_Score

Inference:

The regression analysis indicates that **Env_Score has a statistically significant positive impact on Intention Score** (p = 0.001). However, the strength of this relationship is relatively weak, as reflected by the low R^2 value of 0.031, suggesting that Env_Score explains only 3.1% of the variation in intention. Since the P value is less than 0.05 H0 is rejected. Therefore there is a significant impact of environmental factors on the investment decision of investors in India.

This suggests that while environmental considerations do play a role in shaping intention, not all environmental dimensions contribute equally. Broader or more comprehensive environmental factors appear to have a substantially greater impact compared to more specific or limited aspects.

H_0: There is no significant impact of social factors on the investment decision of investors in India.

H_1: There is a significant impact of social factors on the investment decision of investors in India.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.304[a]	.093	.090	.5270	.093	35.550	1	348	.000

a. Predictors: (Constant), Soc_Score

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.875	1	9.875	35.550	.000[b]
	Residual	96.665	348	.278		
	Total	106.540	349			

a. Dependent Variable: Intent_Score

b. Predictors: (Constant), Soc_Score

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.235	.162		13.783	.000
	Soc_Score	.272	.046	.304	5.962	.000

a. Dependent Variable: Intent_Score

The regression analysis indicates that **Soc_Score has a statistically significant positive impact on Intention Score** ($p < 0.001$). However, the strength of this relationship is moderate, as reflected by the R^2 value of 0.093, suggesting that Soc_Score explains only 9.3% of the variation in intention. Since the P value is less than 0.05 H_0 is rejected. Therefore there is a significant impact of social factors on the investment decision of investors in India.

This suggests that while social factors do influence intention, their contribution is limited and not dominant. It indicates that social considerations play a supporting role in shaping intention, but other factors may have a stronger influence.

H_0: There is no significant impact of governance factors on the investment decision of investors in India.

H_1: There is a significant impact of governance factors on the investment decision of investors in India.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.322[a]	.104	.101	.5238	.104	40.244	1	348	.000

a. Predictors: (Constant), Gov_Score

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.043	1	11.043	40.244	.000[b]
	Residual	95.496	348	.274		
	Total	106.540	349			

a. Dependent Variable: Intent_Score

b. Predictors: (Constant), Gov_Score

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.289	.144		15.856	.000
	Gov_Score	.268	.042	.322	6.344	.000

a. Dependent Variable: Intent_Score

The regression analysis indicates that **Gov_Score has a statistically significant positive impact on Intention Score** ($p < 0.001$). However, the strength of this relationship is moderate, as reflected by the R^2 value of 0.104, suggesting that Gov_Score explains 10.4% of the variation in intention. Since the P value is less than 0.05 H_0 is rejected. Therefore there is a significant impact of governance factors on the investment decision of investors in India.

This suggests that governance factors have a relatively stronger influence compared to other dimensions, but their overall contribution remains limited. It indicates that governance plays an important role in shaping intention, though it is not the sole determining factor.

H_0: There is no significant combined impact of environmental, social, and governance factors on the investment intention of investors in India under the TPB framework.

H_1: There is a significant combined impact of environmental, social, and governance factors on the investment intention of investors in India under the TPB framework.

MODEL TEST

Label	X^2	df	p
User Model	166.394	167	.499
Baseline Model	609.664	190	.000

FIT INDICES

SRMR	RMSEA	Lower	Upper	RMSEA p
.046	.000	.000	.024	1.000

ESTIMATES

MEASUREMENT MODEL

Latent	Observed	Estimate	SE	Lower	Upper	β	z	p
EnvScore	Env5	1.000	—	—	—	—	—	—
EnvScore	Env4	1.106	.069	—	—	.857	16.051	<.001

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Latent	Observed	Estimate	SE	Lower	Upper	β	z	p
EnvScore	Env3	.980	.064	—	—	.790	15.297	<.001
EnvScore	Env2	.908	.061	—	—	.801	14.928	<.001
EnvScore	Env1	.969	.066	—	—	.800	14.641	<.001
SocScore	Soc5	1.000	—	—	—	—	—	—
SocScore	Soc4	1.002	.099	—	—	.673	10.110	<.001
SocScore	Soc3	.995	.092	—	—	.708	10.758	<.001
SocScore	Soc2	1.114	.105	—	—	.723	10.618	<.001
SocScore	Soc1	1.063	.097	—	—	.721	10.996	<.001
GovScore	Gov5	1.000	—	—	—	—	—	—
GovScore	Gov4	.955	.079	—	—	.705	12.119	<.001
GovScore	Gov3	.934	.078	—	—	.708	12.027	<.001
GovScore	Gov2	1.062	.083	—	—	.762	12.825	<.001
GovScore	Gov1	.904	.077	—	—	.695	11.814	<.001
IntentionScore	II5	1.000	—	—	—	—	—	—
IntentionScore	II4	1.020	.101	—	—	.666	10.053	<.001
IntentionScore	II3	1.171	.112	—	—	.741	10.426	<.001
IntentionScore	II2	1.096	.107	—	—	.711	10.224	<.001
IntentionScore	II1	.926	.099	—	—	.604	9.349	<.001

R-Squared

Endogenous Variable	R^2
IntentionScore	.373

INTERPRETATION

The structural equation model demonstrated a strong overall fit with the data. The fit indices indicated that the model was satisfactory, as evidenced by a chi-square to degrees of freedom ratio of 0.996, GFI of 0.952, AGFI of 0.940, CFI of 1.000, TLI of 1.002, and RMSEA of 0.000. The standardized factor loadings ranged from 0.604 to 0.857 and were statistically significant, confirming the adequacy of the measurement model. The structural paths revealed that environmental factors had a significant positive effect on investment intention (β=0.154, p=.007), while social factors (β=0.393, p<.001) and

governance factors (β=0.441, p<.001) showed stronger positive effects. Therefore, the null hypothesis H_0 which stated that there is no significant combined impact of environmental, social, and governance factors on investment intention, is rejected, and the alternative hypothesis H_1 is accepted. These results indicate that ESG dimensions significantly influence the investment intention of investors in India, with governance emerging as the most influential predictor.

Suggestions

- Investor awareness regarding ESG factors, especially environmental aspects, should be improved through educational initiatives, workshops, and digital campaigns, as a large proportion of respondents showed neutral opinions.
- Companies should enhance transparency and disclosure practices, particularly in governance, since it has the strongest influence on investment decisions and builds investor trust.
- Firms need to communicate their environmental initiatives more effectively, as weak impact may be due to lack of visibility rather than lack of importance.
- Financial institutions should promote ESG-based investment products such as green bonds and ESG mutual funds to encourage responsible investing among retail investors.
- Digital investment platforms should integrate ESG ratings and simplified sustainability information to help investors make informed decisions easily.
- Regulatory bodies should continue strengthening ESG disclosure frameworks and ensure standardization to reduce confusion and improve reliability of ESG data

Conclusion

The study examined the impact of Environmental, Social, and Governance (ESG) factors on the investment intention of Indian retail investors using the adapted Theory of Planned Behavior framework. The findings reveal that ESG factors significantly influence investment decisions, confirming their growing importance in the Indian financial market. Among the three dimensions, governance emerged as the most influential factor, followed by social factors, while environmental factors showed a comparatively weaker but still significant impact.

The results indicate that investors place greater importance on transparency, accountability, and ethical practices when making investment decisions. Social factors also contribute to shaping investor preferences, particularly in terms of societal impact and ethical alignment. However, the relatively weaker influence of environmental factors suggests a gap in awareness or understanding among investors.

The structural equation modeling results further confirmed that ESG factors collectively have a strong and significant impact on investment intention, validating the adapted TPB framework in the Indian context. Overall, the study highlights that ESG considerations are becoming an integral part of investment behavior, especially among young and informed investors.

The research contributes to the growing literature on sustainable finance in emerging markets and provides practical insights for companies, policymakers, and financial institutions to enhance ESG integration and investor engagement.

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