ISSN–2277- 8721

EIIRJ Electronic International Interdisciplinary Research Journal

Volume–XV, Special Issues – I Jan – Feb 2026

OPEN ACCESS Original Research Article

TO STUDY THE CHALLENGES IN GREEN BOND AND GREEN RENEWABLE ENERGY

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Abstract:

This research study examines the critical role of green financing in supporting India's transition toward a sustainable and low-carbon energy system. It focuses on how coordinated efforts in grid modernization, energy storage development, policy stabilization, affordable financing, and workforce training can strengthen the overall green finance ecosystem. The study analyses the challenges faced by policymakers, financial institutions, and project developers, particularly in areas such as high capital costs, financing risks, and limited investor confidence.

The findings reveal that the standardization of green bonds, clear eligibility guidelines, reliable monitoring mechanisms, and strong disclosure practices are essential for building credibility and reducing the risk of greenwashing. Investor education and stable government policies further encourage participation and long-term investment in sustainable projects. The study also highlights the importance of innovative instruments such as blended finance, sustainability-linked loans, guarantees, and credit enhancement tools to attract private capital.

Based on the analysis, this research study provides practical recommendations for regulators, financial institutions, and government agencies. These include strengthening regulatory frameworks, improving transparency, expanding awareness programs, supporting digital reporting tools, and encouraging public–private partnerships. Overall, the study emphasizes that a coordinated, transparent, and inclusive approach to green finance can significantly accelerate India's sustainable energy transition and promote long-term economic resilience.

Keywords: *Green finance, sustainable energy transition, green bonds, policy framework, investor confidence.*

Introduction:

This research paper comprehensively examines the multifaceted challenges in establishing green renewable energy infrastructure and analyzes the risk factors deterring green bond investment in India, with specific focus on the Mumbai Metropolitan Region. By identifying barriers and proposing strategic solutions, this study aims to inform policy development and investment strategies essential for accelerating India's sustainable energy transition and strengthening green financing mechanisms

The global energy landscape is undergoing a fundamental transformation as nations prioritize the transition from fossil fuels to renewable energy sources to combat climate change and achieve sustainable development goals. India, as one of the world's fastest-growing economies, has committed to generating 500 GW of renewable energy capacity by 2030,

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representing a significant shift toward clean energy. However, this ambitious transition faces numerous obstacles that impede effective implementation and investment.

Despite increasing policy support, green renewable projects often encounter challenges such as high initial capital costs, land acquisition constraints, technological uncertainties, and delays in regulatory approvals. Limited investor awareness and concerns over project viability further restrict participation in green bond markets. Inadequate risk-mitigation mechanisms, weak disclosure practices, and inconsistent policy implementation also create hesitation among institutional investors. Strengthening financial safeguards, improving transparency, and building investor confidence are therefore essential to ensure sustained growth in India's green energy ecosystem.

Literature Review:

International Capital Market Association:

The absence of uniform global standards and clear taxonomies for "green" projects complicates impact assessment and market comparability. International frameworks like the Green Bond Principles (GBP) from the International Capital Market Association aim to mitigate this.

During the last decade, academicians are studying factors related to the development of the green bonds market and its impact on issuers' financial stability. The studies in the recent past also researched challenges faced by the green bond market and give some solutions to overcome these challenges (Taghizadeh-Hesary and Yoshino, 2020; Ng, 2018; Sartzetakis, 2020

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Recent literature further indicates that investor perception and transparency play a crucial role in determining demand for green bonds. Flammer (2021) finds that firms issuing green bonds experience improved environmental performance and enhanced reputation, but only when reporting standards are credible and verifiable.

Factors and Reason's investor avoid green bond:

1. Lack of standardized environmental verification criteria and inadequate monitoring mechanisms lead investors to doubt whether funds are genuinely used for green projects
2. Many investors worry that companies are just claiming their bonds are "green" without actually using the money for genuine environmental projects
3. There's no universal agreement on what makes a bond "green." Different issuers follow different criteria, making it confusing for investors to compare and evaluate green bonds properly.
4. Green bonds don't have an active secondary market. If you need to sell your bonds before maturity, you may struggle to find buyers or get a fair price
5. Green bonds often offer similar or lower interest rates compared to traditional bonds, making them financially less attractive without additional incentives
6. Since green bonds are relatively new, there aren't enough historical examples showing how well they've performed.

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Challenges in establishing green renewable energy :

1. India's power grid was built decades ago and isn't designed to handle the unpredictable nature of solar and wind power. Upgrading this infrastructure is costly and time-consuming
2. Solar capacity grew quickly → grid expansion didn't.
3. Building solar panels, wind turbines, and hydroelectric dams requires enormous initial investment. Most Indian companies and startups don't have this kind of capital readily available.
4. Subsidies, tax benefits, and renewable energy targets change frequently with different administrations, making it hard for investors to plan long-term projects
5. The sun doesn't always shine and wind doesn't always blow. Without proper battery storage systems, we can't guarantee constant power supply.
6. Banks and investors hesitate to fund green projects due to risks and uncertainty. Green bonds, which could help, aren't popular in India yet
7. We need to protect forests, wildlife, and water resources while also generating clean energy—these goals sometimes conflict.

Improving area for overcome challenges

1. We need to upgrade the electricity grid so it can handle power coming from different solar and wind farms at different times. Use smart technology to manage power flow better.
2. 2. Build big batteries and water tanks to save extra power when the sun is shining or wind is blowing. Use this stored power when weather is bad
3. Create green bonds and government loans so companies can easily borrow money for renewable projects at low interest rates
4. Allow solar panels on rooftops instead of needing big open land. Also allow floating solar farms on lakes and water bodies
5. Have government and private companies partner to share costs and risks of building renewable projects
6. Create one agreed-upon definition of what makes a project "truly green" so investors don't get confused or deceived
7. Plan renewable projects carefully to protect forests, animals, and water supplies while producing clean energy.
8. Spend money on research to make cheaper and better solar panels and wind turbines in India itself.

Objectives:

1. To analyze the major technological, infrastructural, financial, and environmental challenges in the development and expansion of renewable energy systems.
2. To examine regulatory issues, green financing risks, and market challenges affecting the growth of renewable energy and green bond markets.

Research Methodology :

This study uses both primary and secondary data to examine investment guidelines and investor protection in the MMR region. Primary data is collected through structured questionnaires from investors and interviews with financial advisors and regulatory officials to understand awareness, fraud risks, and green investment challenges. Secondary data is obtained from SEBI and RBI reports, government publications, academic journals, financial databases, and policy documents. Together, these sources help analyze investor behaviour, identify risks, and suggest preventive measures. A sample size of approximately 18 respondents has been collected to ensure reliable analysis and statistical significance.

Scope of the Study:

The research will further investigate potential improvement areas and solutions to overcome these identified challenges, including policy stabilization mechanisms, technology upgrades, green financing development, workforce training initiatives, and

ISSN–2277- 8721

EIIRJ Electronic International Interdisciplinary Research Journal

Volume–XV, Special Issues – I Jan – Feb 2026

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market standardization efforts. However, the study will not cover fossil fuel industries, non-renewable energy sources, international trade aspects, detailed technical specifications of renewable equipment, or other forms of green financing such as green loans and carbon credits. The temporal focus will be on current conditions from 2023-2025, with historical context drawn from the preceding 5-10 years where relevant, while maintaining emphasis on institutional investor perspectives and India's regulatory environment based on published research and publicly available data.

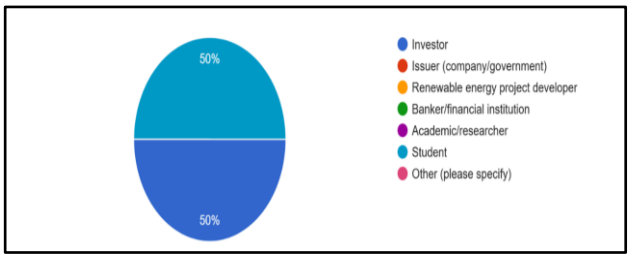
This study is beneficial for **individual investors and regulatory bodies** seeking to develop more effective fraud prevention measures.

Limitations of the Study:

The study is limited to the MMR region, and the findings may not fully apply to other regions. The study depends on survey responses and interviews, which may be affected by bias, memory errors, or reluctance to share experiences. In addition, the study relies on secondary data sources whose accuracy depends on the reliability of published reports and official records. The scope of the study is time-bound, and rapid policy or market changes may alter the relevance of the results. Finally, some variables such as investor behaviour, risk perception, and awareness are subjective in nature and may not be fully captured through quantitative tools.

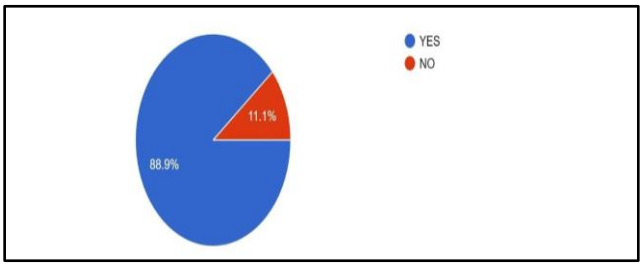
Data Interpretation:

1. **Your role in the sector.**



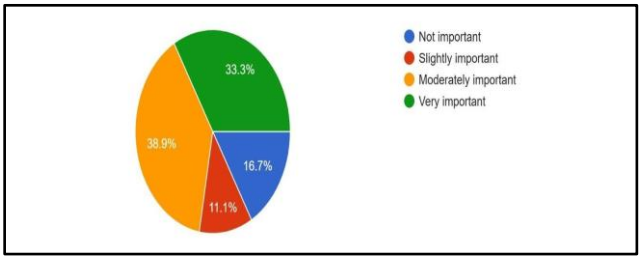
Interpretation:The study reflects a balanced perspective, with **50% of respondents being students** and **50% being investors**. This blend suggests that while the current market is driven by active investors, the future workforce (students) is also highly engaged with the concept.

2 **How familiar are you with the concept of green bonds?**



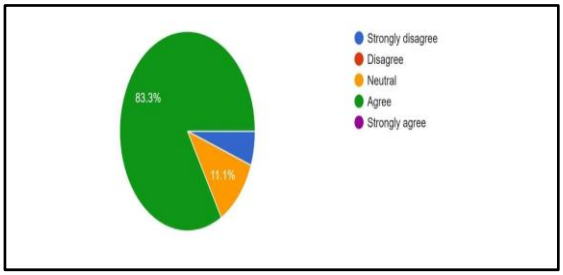
Interpretation: The survey results pinpoint why green financing has not yet achieved "mass" adoption in the region **88.9%** of respondents agree that the lack of a standardized definition for "green" makes evaluation difficult. This directly supports the literature review's point that the absence of uniform taxonomies leads to concerns about **greenwashing**

3. **In your opinion, how important are green bonds for financing renewable energy projects?**



Interpretation: Perceived Importance for Financing Respondents generally view green bonds as a necessary tool for renewable energy transition:**33.3%** believe they are **very important**.**38.9%** consider them **moderately important.**

4. **Do you agree that a lack of clear and consistent definition of what is "green" makes green bonds difficult to evaluate?**



ISSN–2277- 8721

EIIRJ Electronic International Interdisciplinary Research Journal

Volume–XV, Special Issues – I Jan – Feb 2026

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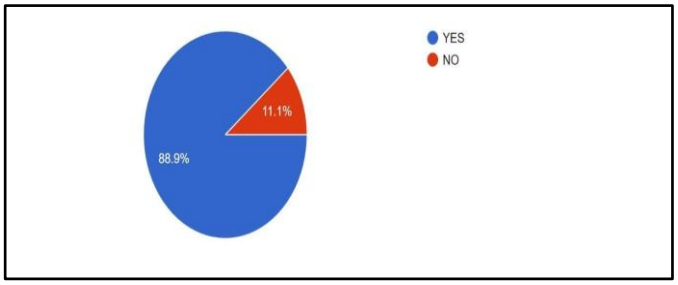
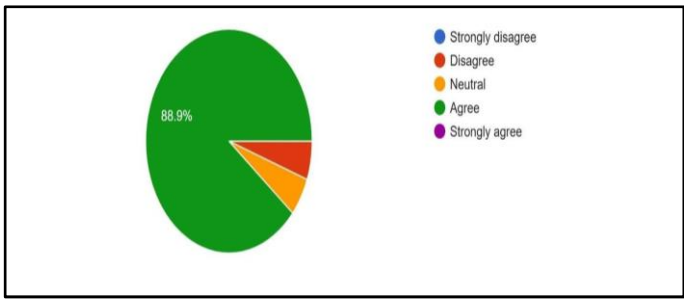
Interpretation; Impact of Lack of Definitions There is a strong consensus that the absence of standardized criteria hinders evaluation:**83.3%** of respondents **agree** that a lack of a clear and consistent definition of "green" makes these bonds difficult to evaluate.**11.1%** remained **neutral** on this issue.

5. The financial benefits(such as lower interest cost or "greenium") are too small to justify additional efforts.



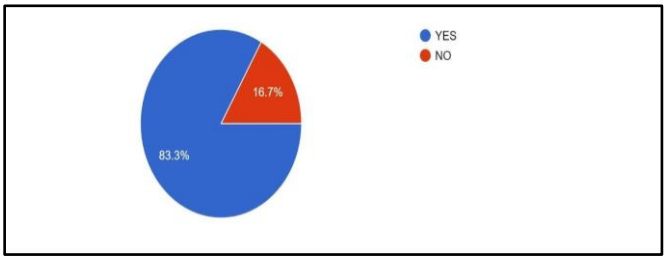
A vast majority of respondents feel the current financial incentives are insufficient:**88.9% agree** that financial benefits (like lower interest costs or "greenium") are **too small** to justify the additional effort required for green bond issuance.only **11.1%** disagreed with this sentiment.

6. High upfront capital costs are a major barrier for renewable energy projects.



Interpretation: Barriers to Renewable Projects upfront costs are confirmed as a primary obstacle:**88.9%** of respondents **agree** that high upfront capital costs are a major barrier to renewable energy projects. The remaining participants were divided between **disagreeing** and **neutral** stances.

7. Grid integration and infrastructure constraints make renewable projects harder to implement



Interpretation:

The technical difficulty of implementation is widely acknowledged: **83.3%** of respondents **agree** that grid integration and infrastructure constraints make renewable projects harder to implement.**16.7%** do **not** believe infrastructure is a primary constraint.

Case Study Analysis-From the above question are circulating and collecting information about bonds and green renewable energy.

Findings:

- India's aging electrical grid infrastructure cannot efficiently handle the intermittent nature of renewable energy sources. This represents a critical bottleneck preventing large-scale renewable energy adoption.
- Standardizing green bonds, building investor awareness, and establishing clear verification mechanisms should be immediate priorities to unlock green financing potential.
- For congested areas like MMR, rooftop solar, floating solar farms, and building-integrated renewables offer viable alternatives to large land-based projects
- Overcoming these challenges requires coordinated effort from government, private sector, investors, educational institutions, and civil society—no single actor can solve this alone.
- Green bond markets in India remain underdeveloped with limited liquidity, inadequate secondary market infrastructure, and insufficient investor education.

ISSN–2277- 8721

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Suggestions:

- The government should strengthen policy stability by ensuring long-term renewable energy targets, consistent subsidies, and clear approval procedures to reduce investor uncertainty.
- Regulators must develop stronger disclosure norms and third-party verification systems to prevent greenwashing and build trust in green bond markets.
- Financial institutions should design innovative, low-cost financing models such as green credit guarantee schemes, concessional loans, and blended finance to attract private investors.
- Investment awareness programs and certification courses on green finance should be introduced for investors, students, and financial professionals to improve knowledge and confidence.

Conclusion:

In conclusion, while renewable energy is essential for addressing climate change and ensuring long-term energy security, it faces several challenges such as high initial costs, technological limitations, grid integration issues, and dependence on government policies. These challenges can slow down large-scale adoption if not properly managed. Similarly, green bonds play an important role in financing sustainable projects, but they also carry risks, including unclear standards, greenwashing, project performance risk, and market and regulatory uncertainty. Together, these challenges highlight the need for strong policies, transparent reporting, improved technology, and effective risk management. Addressing these issues will be crucial for building investor confidence and ensuring that renewable energy and green finance truly contribute to a sustainable future.

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Appendix A: Green Bond Market Statistics (India)

Metric	Status
Green Bond Issuance (2023-2024)	Growing but limited market penetration
Primary Use	Renewable energy, green infrastructure
Market Liquidity	Low secondary market activity
Investor Base	Predominantly institutional
Standardization	Lacking uniform criteria
Verification Mechanism	Inadequate monitoring

Appendix B: Research Methodology

Considerations:

Data Collection Methods:

- Literature review of academic journals
- Analysis of government reports and statistics
- Investor survey and interviews
- Case study analysis of renewable projects
- Green bond performance analysis

ISSN–2277- 8721

EIIRJ Electronic International Interdisciplinary Research Journal

Volume–XV, Special Issues – I Jan – Feb 2026

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Data Sources:

- Government agencies and regulatory bodies
- Published research papers
- Industry reports and market data
- Company disclosures and financial statements
- International organizations (World Bank, IEA, IRENA)

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Cite This Article:

Sangale S. & Jadhav A. (2026). *To Study the Challenges in Green Bond and Green Renewable Energy..* **In Electronic International Interdisciplinary Research Journal: Vol. XV** (Number I, pp. 40 – 46).