Abstract

With rising climate issues, the green bond market has been growing since the first issuance in 2007. This empirical study investigates the relationship between green bond issuance and stock price reaction, along with ESG score. The sample used consists of data from 33 countries with issuances from 2013 to 2022. After performing the regression, results show a positive and statistically significant relationship between the issuance and immediate stock price reaction proxied by 21-day event window cumulative abnormal returns (CARs). However, results do not show prolonged effects toward stock price as results showed a statistically insignificant negative relationship with the 13-month event window buy-hold abnormal returns (BHARs). Lastly, there was also no direct effect towards ESG score, despite environmental projects pursued using the green bonds. Overall, our findings suggest that the firm's issuance of green bonds is beneficial to the issuer in the short-run but long-term effects still lack significance due to ambiguity of results.

Key Words: Green Finance, Green Bonds, Event Study, ESG, CAR, BHAR