



Systematic Literature Review on Green Bonds Role in Enhancing Share Value in Indonesian Capital Market

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Abstract. This study was conducted with the aim of determining the relationship between the issuance of green bonds and the increase in the value of company shares in the Indonesian capital market. Using a systematic literature review approach, this study collects and compiles various literatures that discuss the relationship between green bonds and company share performance. Inclusion criteria include articles published between 2013 and 2023 in peer-reviewed journals and reports from financial institutions. Data sources were obtained from various academic databases such as Google Scholar, ScienceDirect, ProQuest and JSTOR using keywords such as “green bond”, “fair value” and “Indonesia capital market”. The results of this study indicate that the issuance of green bonds has a positive effect on the company's stock price, mainly due to the high interest of investors in sustainability-related investment (ESG).. However, there are challenges such as low market liquidity and the risk of greenwashing that need to be considered. The green bond market in Indonesia is still in its early stages of development, but has great potential if the right regulations and policies are implemented. In conclusion, green bonds can be a useful tool in increasing share value, but their implementation requires high transparency. This study provides a foundation for further research on green bonds in emerging markets.

Keywords: Green Bonds, Stock Value, Indonesian Capital Market, Sustainable Investment, ESG.

1 Introduction

In recent years, the focus on sustainability and environmental concerns has surged considerably across various industries, including the financial sector. Companies are increasingly required to evaluate the ecological impact of their operations and integrate sustainability principles into their business strategies. In response to this growing trend, green bonds have emerged as a key financial instrument. These bonds are issued to fund projects that support environmental initiatives, such as the development of renewable energy, waste management systems, and enhancements in energy efficiency.

Issuing green bonds is viewed as a strategic move by companies to highlight their dedication to environmental sustainability, ultimately shaping favorable perceptions

among both the market and investors. In Indonesia, green bond issuance has shown notable growth, aligned with the rising awareness among investors regarding the importance of sustainability. The Indonesian government, along with capital market regulators like the Financial Services Authority (OJK), has enacted policies aimed at fostering the development of sustainable financial instruments, including green bonds, to accelerate their adoption.

The effect of green bond issuance on a company's stock value remains an area that demands further exploration. While several studies in global markets suggest that issuing green bonds may boost a company's stock value, research focusing on emerging markets, especially Indonesia, is still sparse. Given that Indonesia's capital market is in the nascent stages of adopting green financial instruments, it is crucial to gain deeper insights into whether green bonds can substantially elevate the stock value of the issuing companies.

In addressing the challenges of climate change and contributing to the attainment of sustainable development goals, the Indonesian government has shown a strong commitment to advancing sustainable financial instruments like green bonds. This dedication is clearly represented in the Financial Services Authority Regulation (POJK) Number 60/POJK.14/2017, which provides the framework and criteria for the issuance of eco-friendly debt securities, known as Green Bonds. These bonds are financial instruments that direct their proceeds toward funding environmentally sustainable projects [1].

The distinguishing feature of green bonds, compared to conventional bonds, lies in their direct connection to environmentally focused projects. Investors drawn to green financial instruments like green bonds not only assess standard financial criteria such as maturity, interest rates, pricing, and the issuer's credit quality, but they also scrutinize the specific environmental goals of the projects financed through these bonds [2].

Previous research typically defines green bonds as financial instruments intended to generate capital for projects centered on sustainability and environmental conservation [3]. Unlike conventional bonds, the funds raised through green bonds are exclusively dedicated to environmental initiatives. Owing to these unique attributes, green bonds are regarded as highly effective tools in promoting the realization of sustainable development goals [4].

Research on green bonds in Indonesia has also been undertaken to examine the role and potential of this instrument in advancing sustainable development initiatives. For instance, a 2022 publication by the National Research and Innovation Agency (BRIN) delves into the evolution of green bonds in Indonesia, highlighting both the challenges and opportunities in financing sustainable projects [5]. Furthermore, the obstacles and opportunities associated with the growth of green bonds in developing nations, including Indonesia, have also been explored [6]. However, much of the current research is centered around specific cases or sectors, thereby failing to provide a comprehensive view of the broader challenges and opportunities surrounding green bonds. To address this gap, the present study seeks to offer a more extensive literature review, focusing on the concept, implementation, impact, and hurdles in the development of green bonds.

Studies demonstrate that green bonds can enhance a company's market value, as investors generally prefer companies that prioritize environmental stewardship [7]. Moreover, issuing green bonds positively impacts stock performance by bolstering a company's reputation and fostering investor confidence. Additionally, it has been noted that "companies issuing green bonds experience a positive market reaction post-issuance, signifying that investors appreciate firms dedicated to sustainability initiatives." This underscores the dual benefit of green bonds: advancing environmental objectives while also delivering stronger financial outcomes in capital markets.

This study aims to critically assess the Indonesian government's initiatives in promoting green bonds as a crucial financial instrument within the sustainable finance landscape. The research seeks to deepen theoretical understanding of green bonds, providing comprehensive insights into their concept and practical implementation. From a practical standpoint, it aims to equip policymakers with actionable strategies to strengthen green bonds, thereby fostering environmentally conscious economic growth. Furthermore, a systematic literature review will explore the influence of green bonds on corporate stock value in Indonesia, emphasizing their contribution to advancing financial sustainability.

1.1 Literature Review

In recent years, research on green bonds has expanded considerably, driven by growing global focus on sustainability and environmental impact. Green bonds serve as financial instruments to fund projects that positively affect the environment, including renewable energy, energy efficiency, and waste management initiatives. Within the capital market, green bond issuance is regarded as a means of integrating economic growth with social and environmental responsibility [8].

In their research, they examined the issuance of green sukuk in Indonesia, a financial instrument akin to green bonds [9]. Their findings revealed that the inaugural issuance of Indonesian green sukuk in 2018 garnered substantial investor interest, driven by rising awareness of climate change concerns. The study indicates that Indonesian investors are increasingly factoring sustainability into their investment decisions. However, post issuance price performance was influenced by external factors such as currency fluctuations. This research highlights that while the green bond market in Indonesia remains in its nascent stages, it holds significant potential for future expansion, provided it is supported by robust regulation.

In their examination of green bonds' role in enhancing company value [10]. They noted that green bonds offer companies access to capital at reduced costs, driven by strong demand from institutional investors prioritizing ESG (Environmental, Social, and Governance) factors. Additionally, the issuance of green bonds is seen as a way to elevate a company's reputation, ultimately contributing to an increase in stock value. This research aligns with prior studies, affirming that green bonds not only finance environmentally sustainable projects but also deliver economic advantages to the issuing firms.

In their analysis of the impact of green bonds in emerging markets, they found that companies issuing green bonds in these regions, including Indonesia, gained greater

trust from international investors [11]. Investors with a focus on sustainability are more inclined to invest in companies that issue green bonds, which in turn positively influences the company's stock price. This study is particularly pertinent to Indonesia, where the green bond market is still in its developmental phase but holds significant potential if supported by appropriate regulatory frameworks.

Observing the impact of green bonds on stock prices in Indonesia and noting that investor interest in this instrument continues to increase along with the implementation of the Sustainable Finance Roadmap by the Financial Services Authority (OJK) [12]. They show that the issuance of green bonds in Indonesia, although still limited, has a positive impact on the stock prices of issuing companies. However, they also note that challenges such as low market liquidity and the risk of greenwashing must be addressed to ensure sustainable market growth.

2 Methods

This research utilizes a literature review methodology to explore and deepen the understanding of the development of green bonds within Indonesia's sustainable finance framework. By employing this method, the researcher systematically identifies, evaluates, and examines existing literature on the subject. Data will be sourced from a variety of materials, including academic articles, research papers, books, official government reports, and publications related to green bonds and sustainable finance. These sources will be gathered from reputable academic databases, government platforms, and leading financial institutions.

The literature review will proceed through three essential phases: identification, selection, and synthesis of data. In the identification phase, relevant literature will be located using specific keywords. The selection phase will involve filtering the gathered material based on predetermined criteria to ensure that only pertinent and high-quality sources are considered. The synthesis phase will consist of a thorough analysis of the selected literature, focusing on uncovering patterns and trends related to the growth of green bonds in Indonesia, particularly in connection with the nation's sustainability and development goals. This study employs a literature review approach to provide a comprehensive examination of the evolution of green bonds in Indonesia and their role in advancing sustainable finance.

This analysis aims to establish a robust theoretical framework for comprehending government initiatives, along with the challenges and opportunities in fostering a conducive environment for the expansion of the green bond market. Ultimately, the study seeks to deepen the understanding of green finance while providing valuable insights to readers and key stakeholders engaged in sustainable finance efforts.

To thoroughly understand green bonds, an in-depth analysis based on previous research is essential. A systematic literature review ensures the provision of up-to-date and insightful information. This method uses a structured and transparent process to identify and synthesize relevant studies. It is recognized for its thoroughness in combining research findings. Ultimately, this approach helps identify knowledge gaps and suggests future research directions.

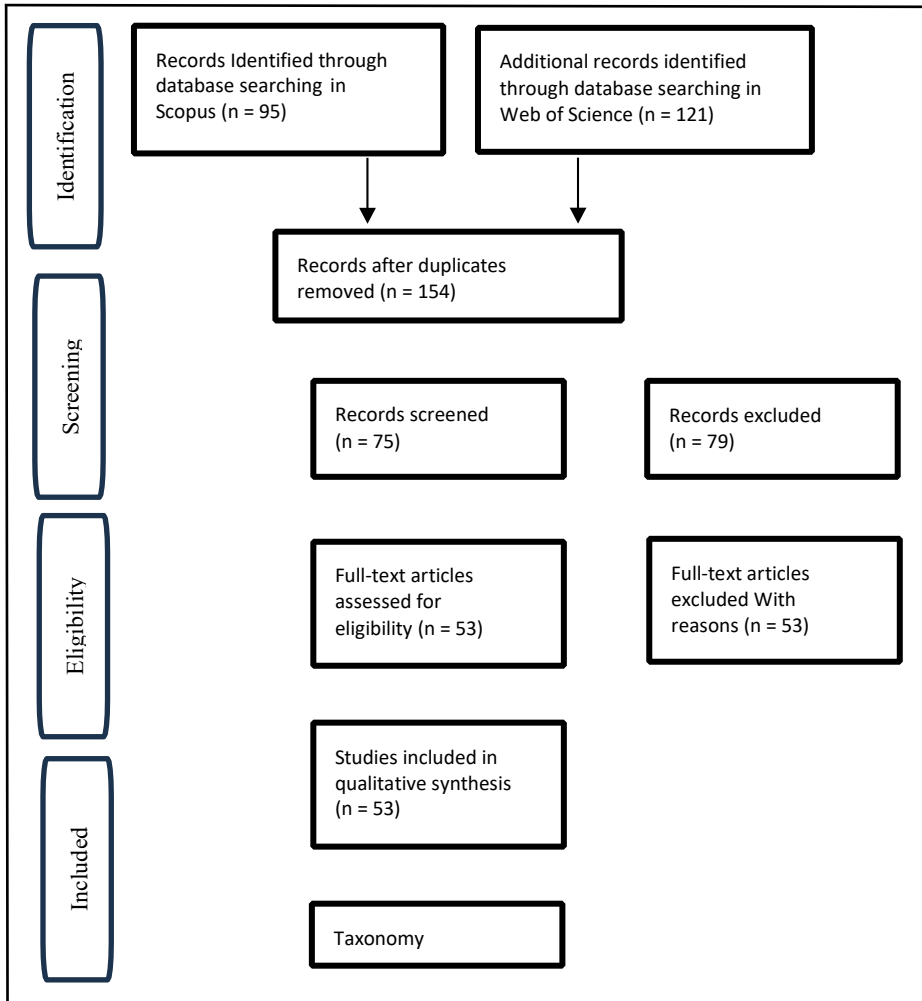


Fig. 1. Systematic Review Methodology

2.1 Literature Search

The search process was conducted using a range of prominent academic databases, including Google Scholar, ScienceDirect, ProQuest, and JSTOR. The keywords employed in the search ensured broad and relevant coverage, incorporating terms like “green bonds,” “Indonesian capital market,” “stock value,” and “sustainability.” This strategy was designed to capture the most pertinent research related to the topic. The search was further refined to focus on articles published between 2013 and 2023, ensuring that the literature reviewed was both recent and relevant to current trends and developments.

2.2 Inclusion and Exclusion Criteria

The studies selected for this analysis comprised articles published in peer-reviewed journals, reports from financial institutions, and research that specifically examined the impact of green bonds on capital markets or corporate performance. Any articles deemed irrelevant or unrelated to green financial instruments or the Indonesian market context were excluded from the review.

2.3 Screening Stage

Articles were selected based on a review of the title and abstract. Articles that were in accordance with the topic were further explained through in depth reading to encourage contributions to the research being conducted.

2.4 Analysis and Synthesis

The selected articles were analyzed thematically and descriptively to identify patterns, key findings, and variations in studies related to green bonds. This step was taken to better understand the role of green bonds in increasing stock values in the Indonesian capital market.

3 Results and Discussion

The results section provides a comprehensive overview of the findings from the data analysis, which may be supported by visual aids such as graphs and charts. In the discussion section, the authors will explain their interpretation of the data and consider its relevance to the current research and its potential impact on future studies.

3.1 Factors Influencing The Development Of Green Bonds In Indonesia

3.1.1 Positive Impact of Green Bonds Issuance on Stock Value

From the literature analysis, it is evident that the majority of studies indicate a positive effect of green bond issuance on a company's stock value. This is largely attributed to growing investor interest in financial instruments that promote sustainability and sound environmental practices. The research reveals that the announcement of green bond issuance is frequently followed by a rise in stock prices, suggesting that investors interpret this as a positive indicator of the company's dedication to social and environmental responsibility [13].

The findings from this literature review suggest that green bond issuance holds significant potential to enhance a company's stock value, primarily by boosting positive investor perceptions of the company's commitment to sustainability. In global capital markets, green bonds have garnered a favorable reception, as sustainability-conscious investors tend to favor companies that issue green financial instruments.

The rise in share value is driven by investor confidence, believing that companies dedicated to environmentally friendly practices are likely to achieve stronger long-term performance and build a more robust reputation.

3.1.2 Investor Interest in Sustainability

Research indicates that investors are increasingly prioritizing environmental, social, and governance (ESG) factors in their investment choices. As a result, companies that issue green bonds become more appealing to investors focused on sustainability-driven investments [14]. In Indonesia, while the green bond market is still in its early stages, interest in green financial instruments is rising in tandem with growing awareness of sustainability's critical importance.

In Indonesia, despite the green bond market being in its nascent stages, global trends indicate significant growth potential for this sector. However, issues such as low market liquidity, limited investor knowledge, and the risk of greenwashing must be promptly addressed. Strengthened regulations and enhanced education on the significance of green financial instruments could expedite the development of the green bond market in Indonesia.

3.1.3 Challenges In The Indonesian Market

Although the issuance of green bonds in Indonesia holds significant potential, there are several hurdles that must be addressed. A key challenge lies in the low market liquidity and the limited knowledge investors have about green bonds. Various studies have highlighted the need for supportive regulatory frameworks and enhanced awareness among local investors to speed up the adoption of this instrument [15]. Additionally, the risk of "greenwashing" remains a major concern, as companies may overstate their commitment to environmentally sustainable projects in order to attract investors.

Furthermore, it is crucial to highlight that the effectiveness of green bond issuance in boosting stock value is closely tied to a company's transparency and accountability in ensuring that the raised funds are genuinely allocated to projects promoting environmental sustainability. As such, green bond issuance serves not only as a mechanism to enhance stock value but also as a vital tool for advancing broader sustainable development objectives.

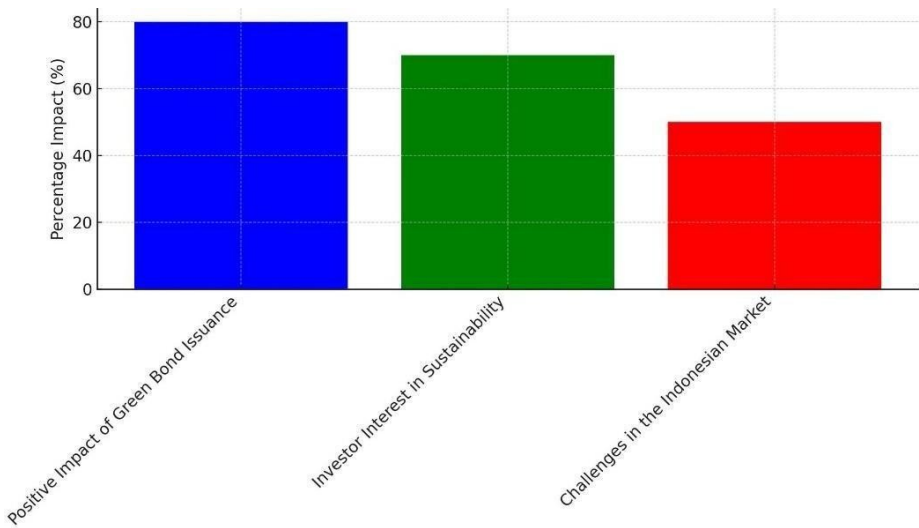


Figure 2. Factors Influencing The Development Of Green Bonds In Indonesia

3.2 Green Bond Market Performance Analysis

The fifth macro area outlined in the proposed taxonomy is termed “Green Bond Market Performance Analysis.” This section focuses on exploring the various characteristics of the green bond market. The objective of this analysis is to offer valuable insights for policymakers and industry professionals about the functioning of this emerging market and its potential for promising opportunities.

This study explores the impact of volatility in the green bond market by employing a multivariate GARCH model to examine two S&P indices over a five-year period (2010-2015) [16]. The research delves into the volatility patterns of the green bond market, distinguishing between bonds labeled with GBP and those without any labeling. The goal of the analysis is to provide insights into the varying volatility levels between these two bond categories. Pham’s findings reveal compelling evidence of volatility clustering, where periods of high volatility are typically followed by more high volatility, and low volatility periods are succeeded by similar low volatility phases. Additionally, the evidence suggests that the green bond segment exhibits greater stability and strength compared to the unlabeled bonds.

We identified a correlation between investor attention, as measured by the Google Search Volume Index, and the performance of the green bond market, analyzed through five different green bond indices from 2014 to 2019 [17 Rahmat]. The study’s findings reveal a significant relationship between investor attention and both the yield and volatility of the green bond market. This correlation is more prominent in the short term than in the long term, with fluctuations in investor attention varying over time. These results suggest that investor attention plays a pivotal role in shaping the performance of the green bond market.

The effect of liquidity risk on the green bond market was examined through the analysis of two liquidity indicators: the bid-ask spread and the LOT liquidity measure [18]. This study aimed to explore how liquidity risk affects the green bond market by applying these two metrics. The findings revealed that, between 2014 and 2016, green bonds displayed higher liquidity levels compared to conventional bonds. Furthermore, liquidity measures were positively correlated with green bond performance. However, in recent years, the influence of LOT size on liquidity has gradually diminished.

It has been observed that investing in sustainable companies can serve as a defensive investment strategy for investors. This is because such companies have been found to exhibit greater stability during economic downturns [19]. Additionally, green stocks are typically less overvalued than non-green stocks. This highlights the potential value and stability of investing in environmentally friendly companies. This finding is based on a comparison between major international green indices (which include green stocks) and general international stock indices. Alternatively, this finding is based on a comparison between major international green indices (which include green stocks) and general international stock indices. Furthermore, it was discovered by the authors that constructing a diversified international portfolio consisting of 10 green bonds resulted in green bonds exhibiting more defensive properties in comparison to conventional bonds.

Compared to the previous three taxonomic groups, the final group places its emphasis on analyzing characteristics of the green bond market that extend beyond its price structure or returns (Table 1). Previous studies have indicated a specific focus on risk, volatility, and liquidity within the green bond market, areas that remain relatively unexplored in comparison to subjects within prior taxonomic categories. Future research could potentially offer more in-depth perspectives into the risk aspect of green bonds, including their interconnections with other markets and their effects on the company's stock price fluctuations following bond issuance. This would shift the focus away from solely analyzing returns.

Table 1. “Green bond market performance analysis” empirical literature based on sample type and methodology

Author (Year)	Time Span	Geographic Coverage	Methodology
Pham (2016)	30/4/2010 - 29/4/2015	World	Multivariate GARCH
Febi and friends (2018)	2013-2016	English and Luxembourg	Two-factor model: LOT Liquidity Measure; OLS Panel Regression
Shaydurova and friends (2018)	12/2015-5/2018	World	Standard Performance Index Analysis; Var Model
Pham and Huynh (2020)	10/2014-11/2019	World	Univariate Analysis; GARCH Model; Covariance Stationary Var Model

3.3 Factors Affecting Green Bonds

3.3.1 The Impact of Green Bonds Issuance on Stock Values

The literature review indicates that green bond issuance positively influences a company's stock value. Research reveals that investor attention, as gauged by Google search volume, is correlated with the performance of the green bond market, particularly in terms of yields and volatility [20]. Investors are increasingly drawn to companies exhibiting a strong commitment to environmental sustainability, as evidenced by their issuance of green bonds. This contributes to a rise in stock prices for these companies, as investors perceive green bonds as a proactive initiative towards achieving sustainable development.

The research findings clearly demonstrate that green bonds provide substantial advantages for both companies and investors, particularly in enhancing stock value and managing risk. Green bonds enable companies to strengthen their reputation for sustainability, a key priority for today's investors. The rise in stock prices frequently observed following the issuance of green bonds underscores the market's positive reaction to the company's dedication to supporting environmentally focused projects.

3.3.2 Liquidity and Volatility Risk

The study demonstrated that green bonds exhibited superior liquidity compared to conventional bonds during the 2014–2016 period, with liquidity metrics such as bid-ask spread and LOT showing a positive correlation with green bond performance [21]. However, the influence of LOT measures has diminished in recent years. Additionally, it was found that volatility in the green bond market follows a clustering pattern, where periods of heightened volatility are succeeded by similar periods of high volatility, and the same applies for low volatility [22]. This volatility is more pronounced in the labeled green bond segment than in the unlabeled one.

Moreover, the superior liquidity of green bonds compared to conventional bonds enhances their appeal to investors. Greater liquidity signals increased market confidence in green instruments, although factors such as the reduced influence of LOT size highlight certain risk management considerations that must be addressed. Additionally, the heightened volatility observed in the labeled green bond segment suggests that these bonds possess distinct market dynamics, which both investors and issuing companies need to take into account.

3.3.3 The Role of Investors and the Media

Media coverage and increased attention to environmental issues also play a significant role in driving investor interest in green bonds. Media exposure to green projects can increase investor interest, expanding the investor base for green bond issuers [23]. Investors, especially those who focus on ESG (Environmental, Social, and Governance) factors, tend to respond positively to green bond issuances, which ultimately increases market demand for these instruments.

Media coverage and exposure to environmental issues are increasingly driving investor interest, which naturally expands the market for green financial instruments. With the growing attention on global sustainability, green bonds are expected to continue to gain ground in the capital markets. However, companies need to maintain their commitments to avoid falling into “greenwashing,” which is giving the impression of being green without actual implementation, which can damage investor confidence.

3.3.4 Defensive Investment Strategy

Investing in green bonds and stocks of sustainable companies can be considered a defensive strategy [24]. Companies that invest in sustainability tend to be more stable during recessionary periods than companies that do not focus on sustainability. Green bonds are also considered more defensive than conventional bonds, providing better protection against market volatility in uncertain economic conditions.

Finally, the defensive nature of green bonds in an investment portfolio is also an added value for this instrument. When markets experience instability or recession, green bonds and sustainable companies tend to be more resilient, making them an attractive option for investors seeking long-term stability. In this case, green bonds not only support environmental sustainability but also offer financial protection for their holders.

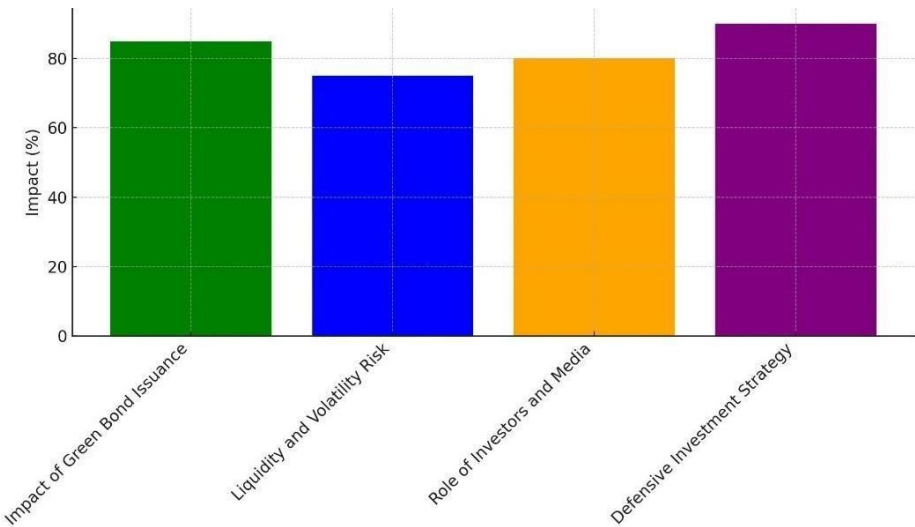


Figure 3. Factors Affecting Green Bonds

3.4 Characteristics of Green Bonds and Their Impact

3.4.1 Definition and Main Characteristics of Green Bonds

Green bonds are financial instruments specifically intended to fund projects that positively impact the environment, such as renewable energy, energy efficiency, waste management, and climate change adaptation. Unlike traditional bonds, the capital raised through green bond issuance must be allocated exclusively to initiatives that align with sustainability objectives. In Indonesia, the issuance of green bonds is governed by the Financial Services Authority (OJK) under OJK Regulation Number. 60/POJK.04/2017, which pertains to the issuance of environmentally sustainable debt securities.

The findings from the literature review highlight several defining characteristics that set green bonds apart from other financial instruments. First and foremost, green bonds are inherently linked to sustainability, which makes them highly attractive to investors seeking to support environmentally conscious projects. As global focus on sustainability continues to grow, green bonds play a crucial role in channeling capital toward projects that generate a positive environmental impact.

3.4.2 Increasing Demand and Market Participation

The data reveals an increasing interest and engagement from investors in green bonds. Investors are progressively attracted to financial instruments that align with the ESG (Environmental, Social, and Governance) criteria. On a global scale, the issuance of green bonds has experienced significant growth in recent years, and this trend is now starting to emerge in the Indonesian market. Many institutional investors are actively pursuing investments that offer both financial profitability and a positive environmental impact.

One of the major benefits of green bonds is their potential to improve a company's reputation. Companies that issue green bonds are often regarded as more socially responsible, which not only elevates their market value but also strengthens ties with important stakeholders, such as governments and local communities. Studies show that green bond issuance can enhance investor confidence, frequently leading to an increase in the company's stock price.

3.4.3 Green Bonds Yield and Liquidity

Studies show that green bonds often provide competitive returns with conventional bonds, although in some cases the yields on green bonds can be lower. However, this is offset by high demand from investors focused on sustainability. However, the liquidity of green bonds remains a challenge in some markets, including Indonesia. Green bonds tend to have a more limited market than conventional bonds, so their liquidity can be lower.

However, there are challenges that must be overcome to maximize the potential of green bonds, particularly in Indonesia. One key component to be considered is li-

quidity. Although green bonds have attracted the attention of many investors, their liquidity is still lower than conventional bonds, which makes them less attractive to some large institutional investors. Another challenge is the lack of knowledge about green bonds among local investors, which hinders the growth of this market in Indonesia.

3.4.4 Impact on Company Reputation

Companies that issue green bonds often gain additional benefits in the form of improved reputation. Because green bonds are associated with a commitment to sustainability, issuing green bonds can strengthen a company's positive image in the eyes of investors and the public. This is especially true in emerging markets such as Indonesia, where corporate social responsibility is increasingly becoming an important focus.

To address these challenges, it is important for regulators such as OJK to provide incentives and encourage education to investors about the potential and benefits of green bonds. In addition, issuing companies must also be more transparent in communicating the use of funds raised from green bonds to ensure that funded projects truly support sustainability goals.

3.4.5 Challenges of Issuing Green Bonds

In Indonesia, one of the primary obstacles to issuing green bonds is the limited awareness of this financial instrument among local investors. Additionally, relatively high issuance costs and a shortage of projects that qualify under the "green" criteria pose further challenges. Nevertheless, initiatives by the government and the Financial Services Authority (OJK), such as offering incentives to promote green bond issuance, indicate that Indonesia's green bond market holds significant potential for expansion. These efforts reflect a growing commitment to advancing sustainable finance despite the existing barriers.

Despite the challenges green bonds face, their potential to drive sustainable development and enhance corporate value is immense. As environmental concerns continue to gain prominence, green bonds are anticipated to play an increasingly pivotal role as a financial instrument, particularly in emerging markets like Indonesia. With growing focus on sustainability, these bonds are expected to not only support eco-friendly initiatives but also serve as a crucial tool in advancing economic growth while simultaneously promoting responsible corporate behavior.

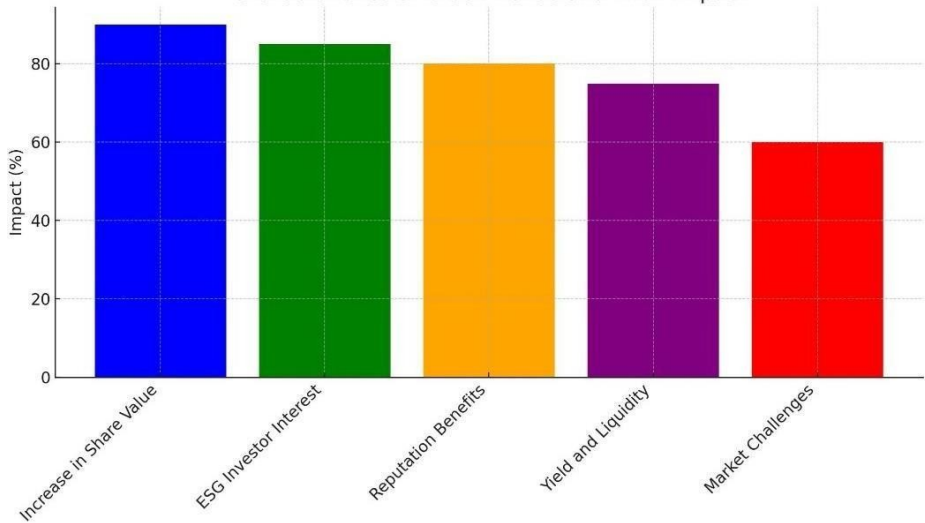


Figure 4. Characteristics of Green Bonds and Their Impact

3.5 Benefits of Green Bonds

The presence of Green Bonds can serve as an additional alternative in financing that focuses on environmental aspects more broadly. Indications show that the trend of issuing green bonds will continue to increase along with the successful introduction of this instrument in the market. As a relatively new financial instrument, the question that often arises is, what are the benefits of green bonds? Based on various sources, here is a summary of some of the main benefits of green bonds [25]:

First, Green Bonds are the most effective way to raise large amounts of capital to support environmental investments that may be less economically viable using higher-cost capital. This instrument is ideal for large-scale sustainability projects. Therefore, in some countries, green bonds are given special incentives, such as tax exemptions and tax credits.

Second, issuing Green Bonds can improve the reputation of the issuing company. Companies that issue green bonds are considered to have demonstrated a real commitment to the environment and sustainability. In addition, issuers also gain access to global investors who specifically invest only in sustainable business activities.

Third, Green Bond issuers also benefit by attracting more investors who care about the environment. The high demand for green bonds has the potential to lower borrowing costs, providing an opportunity for issuers to increase profits through cheaper access to capital.

In addition to the qualitative benefits mentioned, the research conducted revealed several important findings related to Green Bonds [26]. Of the 217 green bonds issued by public companies globally between January 1, 2013 and December 31, 2017, there

was a positive reaction from the stock market. This indicates that investors have shown a favorable reception to companies incorporating sustainable practices into their financing strategies. Second, the positive reaction observed was linked to enhanced financial and environmental performance, heightened green innovation, and an increase in share ownership by long-term investors. Third, the stock price of the company issuing the green bonds experienced a substantial increase at the time of the announcement of the issuance of the bonds. Fourth, green bonds are always certified by reputable institutions, which enhances investor confidence. Fifthly, the issuance of green bonds was correlated with a 2.4 percent rise in the long-term value of the company. This was determined by the ratio of the market value to the book value of the company's assets.

Based on the aforementioned findings, it can be concluded that Green Bonds elicit favorable responses from the market, enhance financial and environmental metrics, and draw in long-term investors. Investors have strong confidence in the ability of this financial instrument to support the global commitment to combat climate change. This, in turn, enhances their faith in sustainable investment

3.6 Government Efforts to Create a Green Bonds Market in Indonesia

The first successful issuance of green sukuk in Indonesia with high demand from investors, driven by increasing awareness of environmental issues and climate change [27]. However, the price performance after the issuance was affected by the strengthening of the Euro against the US Dollar. The second issuance of green sukuk in 2019 also showed success with high investor interest. However, the size of this green sukuk issuance was smaller than the first, while the coupon rate increased, which likely contributed to the high demand for this type of bond.

With increasing attention to environmental aspects as an important part of national development, the role of the Financial Services Authority (OJK) is becoming increasingly vital in supporting the implementation of sustainable development in the financial sector. One of the main focuses is to encourage sustainable economic development based on sustainable environmental principles. In order to support this initiative, on December 5, 2014, OJK launched the Sustainable Finance Roadmap, which contains medium-term and long-term plans to strengthen the financial services sector in order to support the sustainable development agenda.

In the Sustainable Finance Roadmap, OJK has set out 19 work plans related to sustainable finance, with two of them focusing on the development of green bonds and green index. These two initiatives are directly related to the role and function of the Capital Market Sector Supervision Division (BPSPM). In the initial stage, BPSPM will prioritize the development of green bonds as an important initial step in encouraging the growth of the sustainable financial market [28].

In the 2005-2025 Long-Term Development Plan (RPJP), the Indonesian Government has set a national vision to achieve an independent, advanced, just, and prosperous Indonesia. To realize this vision, the government has formulated eight development missions, one of which is to create a beautiful and sustainable Indonesia. This mission focuses on three main pillars: maintaining balance in the management of

natural resources and the environment, implementing sustainable use of natural resources and the environment for the economy, and preserving and utilizing biodiversity as a foundation for development.

The implementation of Sustainable Finance principles as part of the mission to create a green and sustainable Indonesia shows Indonesia's commitment to mitigating and adapting to climate change at the international level. The capital market, as one of the financial institutions in Indonesia, is expected to adopt sustainable finance principles that are in line with Law Number 32 of 2009 concerning Environmental Protection and Management. This includes the development and implementation of economic instruments that support environmental sustainability.

As a form of implementation of Indonesia's commitment in the international arena, the Financial Services Authority (OJK) has issued a Sustainable Finance Roadmap which aims to direct sustainable development in the financial sector, especially in the context of an environmentally friendly sustainable economy. One of the important points in this roadmap is the development of debt instruments that focus on efforts to preserve or improve environmental sustainability.

4 Conclusion

This study offers a thorough exploration of the impact of green bonds on boosting company share value, with a particular focus on the Indonesian capital market. Broadly, green bond issuance is regarded by investors as a favorable signal, highlighting the company's commitment to sustainability and social responsibility. The literature reviewed indicates that green bond issuance is frequently followed by an uptick in stock prices, particularly in more advanced markets. While this trend is also beginning to emerge in Indonesia, its effect is not yet as prominent as in nations with more established capital markets.

A key driver behind the rise in stock prices is the growing interest from investors in sustainability-focused investments, as evidenced by the integration of environmental, social, and governance (ESG) factors into investment decision-making. In Indonesia, investors are beginning to acknowledge the significance of supporting companies that champion sustainability through green bond issuance. This financial instrument not only facilitates the funding of environmentally conscious projects but also enhances the company's reputation among the public and investors. This heightened interest aligns with the global trend where companies committed to sustainability are favored by long term investors.

However, the development of green bonds in Indonesia is not without a number of challenges. Relatively low market liquidity and a lack of awareness among local investors about the benefits of green bonds are still major obstacles. In addition, the risk of greenwashing where companies may exaggerate their sustainability claims without actual implementation is also a concern. This challenge requires serious handling to prevent the loss of investor trust, which could negatively impact the development of the green bond market in Indonesia. In this regard, high transparency and accountability from issuing companies are needed to maintain investor trust.

Stricter regulations and supportive initiatives from the government and financial authorities, such as the Financial Services Authority (OJK), are needed to strengthen the green bonds market in Indonesia. Policies that encourage the issuance of green financial instruments, as well as incentives for companies that comply with strict sustainability standards, can accelerate the development of this market. In addition, better education about green bonds among local investors can also increase participation and a deeper understanding of the long-term benefits of this environmentally friendly financial instrument.

Overall, green bonds have great potential to support sustainable development in Indonesia and can be an effective instrument in increasing the share value of issuing companies. With the implementation of adequate regulations and strict supervision, green bonds can provide benefits not only from a financial perspective but also in efforts to achieve national sustainability targets. Therefore, synergy is needed between companies, government, regulators, and investors to ensure that green bonds can function optimally in strengthening the Indonesian capital market and supporting environmental sustainability more broadly.

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