

Green Financing and Environmental Protection

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ABSTRACT

The climate crisis has exposed the financial sector to greater risks. One of the most important ways to combat climate change is by restoring the landscape of the planet, which is becoming one of the agendas in sustainable development goals (SDGs). In fulfilling this agenda, participation from organizations is essential and usually requires a significant amount of up-front investment capital and investment that usually has a long payback period. Therefore, dedicated investment funds like green financing have been used to finance such projects. This study investigated the effectiveness of green financing as a tool in financing project that supports the SDGs projects, particularly green investment projects such as environmental protection. Green financing plays an active role in the improvement of a company's profitability and supporting the sustainability that contributes to environmental protection. The results showed that there is a significant relationship between green financing and the performance of the firms that were listed in Bursa Malaysia which contributed to environmental protection activities. The findings of the study could provide insights for investors, and it may serve as a contributing factor to the development of the green financing market. In addition, these findings may assist environmentally aware investors holding positions in green finance for risk management decisions and developing portfolios.

Keywords: Green Financing, Environmental Protection, Firm's Value, Green Investment

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INTRODUCTION

Climate change not only has an impact on nature and the environment but also on the economy. Climate change becomes one of the biggest threats to economic stability. The impact of climate change combined with the scarcity of natural resources create a significant challenge across the world and requires immediate attention (Guha, 2019). The World Bank has reported that if no immediate action is in motion, climate change could push 100 million more people into poverty by 2030. The impact of climate change includes the rising of sea levels that requires a certain amount of cost for the relocation of towns affected. It will also substantially harm the economic output as businesses are impaired and people suffer damage on their home (Wade, 2014). Other than that, there will be a loss of capacity to work due to the heat, which consequently, leads to the shrinking productivity of harvests, deteriorating food security and spreading of diseases due to higher temperatures. We would see a fall in the capacity of productivity that impacts the world economy (Wade, 2014). More wars arise in order to gain access to limited resources which causes higher prices for basic food supplies and consumer goods due to high demand but low supply. Global warming caused by climate change will presumably dwindle the available supply, consequently resulting in a backward shift of the supply curve (Wade, 2014). The increase in general price steers towards the possible inflation of the world economy. The volatility of climate may result in companies dealing with price uncertainties for production resources, energy transport and insurance as the cost of raw materials is affected (Renee & June, 2019). The extreme meteorological phenomenon will cause widespread poverty which can give a significant effect on economic growth.

According to the Swiss Re Institute, “the global economy could lose 10% of its total economic value due to climate change. The impact of climate change has been forecasted to be the hardest hit for Asian economies, with a 5.5% hit to GDP in the best-case scenario, and 26.5% hit in the worst-case scenario” (Marchant, 2021). Swiss Re reported that based on current trajectories, there will be an increase of 2.6 degrees global temperature by 2050 that can cause 7 percent of the economic reduction in the United States compared to a world without climate change while nations such as Canada, Britain, and France would experience the loss between 6 to 10 percent of the potential economic output. Asian countries like Malaysia, the

Philippines and Thailand, will experience a loss of 20 percent of potential economic output. Strong reactions are portrayed by governments across the globe in the Paris Climate Agreement honouring the ambitious climate deal. Risks from the activities that are conducted by the businesses/companies involved have to be managed wisely as the pollution and waste produced may be hazardous to human health and the environment. Ultimately, this becomes the social responsibility of the managing companies to solve. In recent times, there are shifting trends among investors in moving towards a more responsible approach by supporting a green economy which is reflected in the increasing demand for green financing. Green growth is an effort to foster the development and growth of the economy while ensuring the natural assets continue being preserved and providing the resources as well as environmental services which our well-being heavily relies on (Kazlauskiene, Draksaite, & Melnyk, 2017). The study by World Resources Institute showed that there is a rapid growth in green investment within the period from 2012 until 2014. Green investment grew from more than 30% in Asia to nearly 80% in the USA (Kazlauskiene et al., 2017). This investment demand requires the need of a financial instrument that is used for green investment financing. Green financing is aimed at improving a company's environmental footprint which includes the expansion of taxonomy-related activities that may result in the company gaining benefits from selective investors.

Green financing gives value to companies both financially and socially due to the interest it will gain from environmentally aware investors to provide funding. This investment will therefore contribute to the growth of firms due to the cost reduction in effect (Jacobs, 2017 & D. Y. Tang & Zhang, 2018). According to United Nation Environment Programme (2014), the green economy is an economy that aims to improve the well-being of humans and social equity while considering the risks of environmental and ecological scarcities to minimize them. Even though investors are looking for strong returns on their investment, the pure economic return is not the only thing that is being taken into account as they are looking for more than financial-based value. Aside from financial advantages, investors are also looking for social returns to contribute to society as a whole. Moving towards a green economy which is one of the alternatives to achieving Sustainable Development Goals, economic activities conducted will be noticeably better for the environmental welfare (Georgeson, Maslin, & Poessinouw,

2017). Implementing green growth will help a country face the challenges of sustainability which can significantly improve businesses by boosting financial performance (Buallay, 2019). There are many issues that can be related to the application or use of green financing which is environmental, social, economic, and, governance issues. However, this paper will discuss and focus on only the environmental issue of green finance. Environmental issues related to the quality and functioning of the natural environment and natural systems include biodiversity loss, renewable energy, energy efficiency, greenhouse gas emission, natural resource pollution, waste management, ozone depletion, ocean acidification and nitrogen changes as well as the phosphorus cycle. The environmental issue has already become a national topic for the past years and it is in need of a solution to further support the strategies for achieving sustainable development goals.

LITERATURE REVIEW

Green Financing is one of the efforts in nurturing the bond between economy and nature, which therefore contributes to green development whilst aiding the environmental protection movements. Green financing which also may be known as sustainable finance is the involvement of making investment decisions that not only consider the return from the financial aspect but also environmental, social and governance factors. This evidently shows that the practice of green financing is an act that moves towards Sustainable Development Goal (SDG). Based on the estimation made by the United Nations (UN), the cost needed in achieving the SDGs will approximately be US\$4.5 trillion per year.

This way of financing focuses more on the ecological environment benefits and pays more attention to environmental protection industries (Wang & Zhi, 2016). This kind of green development comprises financing green investments in environmental products and services and preventing damage to the environment or the preservation of the planet. Based on the study by Wang & Zhi (2016), green finance can contribute to improved productivity. Bin, Roslen, Ibrahim, Yee, & Theam (2017) stated that the financial problems of a company should be mitigated by the issuance of the green bond as it acts as an effective financing mechanism for the green project of the company such as projects involving energy-efficiency. Based

on Doval & Negulescu (2014), stated that the whole world is moving towards a green economy by constantly searching for solutions and implementing them with equipment that supports carbon neutrality. Referring to Bank (2021), stated that in response to the pandemic situation, there is an increase in the issuance of green bonds which provides an opportunity to explore the green financial market further.

Green financing supports the SDG. In achieving the goals of sustainable development, one of the methods is to advance toward a green economy as it is found to be an important policy framework (Georgeson et al., 2017). It is also a convenient way in moving towards a healthier environment. Climate change poses danger to both national and international capital markets as the global economy endures its impact financially Berensmann et al., (2017). Climate change and environmental risks can greatly affect the financial stability of countries around the world (Stojanovic & Ilic, 2018). Berensmann et al. (2017) stated that not only does the rise of green investment help by mitigating climate change, but it also fosters economic growth and raises job opportunities. It is necessary for mankind to identify appropriate mitigation plans to reduce environmental risks by understanding the importance of green financing.

The climate change crisis has exposed the financial sector to immense risks. Restoring the landscape of the planet is one of the most important ways to combat climate change (M. V. Tang, 2021). According to a recent report by the Nature Conservancy, in order to reverse the biodiversity crisis by 2030, humanity will need to spend an additional USD 600 to 800 billion per year (M. V. Tang, 2021). The environmental protection industry's development requires a significant amount of up-front investment funds and an investment that has a long payback period. Thus, the environmental protection industry needs to have its own distinctive approach to managing finances. According to UNEP, green finance is capable to increase the level of financial flows from the public, private, or non-profit sectors to prioritize sustainable development as it supports environmentally sustainable economic activities. The main focus is to meet better management of environmental and social risk while taking up the opportunities on the increasing rate of return, experiencing the environmental benefit, and, enhancing the level of accountability taken by the companies involved (Association, 2018). It supports the growth of the economy while reducing the pressures on the environment by taking

into account not just the economic aspect but also the social and corporate governance aspects. Environmental protection that leads to environmental benefits is only one of the advantages of green finance.

What is Green Finance?

Berensmann et al., (2017) stated that the term green finance refers to the financing of investment that provides an environmental benefit that supports environmentally sustainable development while Chen, Ngniatedema, & Li (2018) stated that it is funding for carbon emission reduction or increase of resource efficiency. In response to the Paris Climate Agreement and United Nations Sustainable Development Goal, the practitioners in the industry are identifying the synergies that can be formed between green and Islamic finance in contributing to the sustainability and climate goal (Liu & Lai, 2021). The green way of financing also represents a positive shift in the global economy's transition to sustainability through the financing of green investment which supports green initiatives (Institute, 2016). In 2008, the World Bank was one of the trailblazers in issuing the green bond in the market in support of the funding of global climate action (Amirat & Sabreena, 2018).

What is Environmental Protection?

In recent years, environmental protection has become an issue that is highlighted at the national level (Khalil, Husin, Mahat, & Nasir, 2011). The issues discussed include the greenhouse effect, deforestation, global warming, and waste generation. A reactive plan that is supported by sustainable development needs to be executed to solve the issues of environmental protection among international institutions. World Business Council for Sustainable Development has defined sustainable development as a form of progress that serves the needs of the present situation but does not compromise the future generation's ability in serving their needs.

Importance of Green Financing in Supporting Environmental Protection

According to the German Development Institute, green financing emphasizes internalising and externalising environmental factors which reduces the risks perceived and hence encourages environmentally beneficial

investments. The upcoming transition to a low-carbon economy must be recognized as a promising long-term business opportunity by financial institutions which leads to the exploration of the green finance (Dombret & Lorier, 2021). A green bond is one of the financial instruments that is used in implementing green finance to experience explosive growth. The benefit of having green bond issuance compared to the regular bond is the forward requirements to go “green”. The fund that is raised must be for the purpose of renewable energy and sustainable green projects which support green growth in accordance with the green economy (Georgeson et al., 2017 & Wang & Zhi, 2016). Green bonds could minimize investment risks that may be caused by the environment and climate change. The future of the financial sector is represented by green finance through the innovation of financial mechanisms and investment support in projects with positive and sustainable externalities.

Challenges of Green Financing in supporting environmental protection

Capital mobilization of green investment has been limited due to the challenges revolving around macroeconomics which involve information asymmetry, inadequate analytical capacity and lack of clarity in defining the term “green” (Institute, 2016). Dombret & Lorier (2021) stated that institutional investors have yet to develop the capacity in identifying and quantifying the credit and market risk that will arise if the aspect of environmental is included in the assessment of their asset. There are several reasons identified that make the valuation of assets a challenge for banks and institutional investors. Among the reasons are the limitation of historical data that is not beneficial enough in predicting the future market and the entirety of the process influenced by policy decisions that involve uncertainties.

Compared to the current practice of short-term investment, investors are presented with long-term green investment which has a longer time of maturity but adds more value (Institute, 2016). Green investment requires a long-term stretch as the outcome is uncertain (Dombret & Lorier, 2021). Furthermore, investors are at a disadvantage in meeting the benchmarks of rating agencies due to green investments generally not being included because of the insufficient track record to be offered any ratings at all. Thus, green investment is impossible to attain due to the lack of green projects. In

a general sense, investors are being prevented from getting involved in green investment by the existing regulations even when they have the intention or willingness to invest in long-term and sustainable projects. There is no coordination in approaching financial and environmental policies which makes it harder for green financing to support the issues of environmental protection (Institute, 2016). As for the government, there is no clear signal of promoting green transition which may not give a positive contribution towards the development of green finance, thus, the difficulties in solving the environmental protection issues (Institute, 2016).

Mitigation Plan for Green Financing in supporting environmental protection.

In driving green growth development, all related parties need to play their role which includes banks, institutional investors, international financial institutions, and, financial regulators (Institute, 2016). Banks act as important shares of global financial assets and need to provide a significant amount of financial resources that can be mobilized for the use of green investment (Institute, 2016 & M. V. Tang, 2021). In promoting the optimization of green finance, the supply of green credit with the premise of controlling financial risk should be increased and the growth rate of green credit needs to be kept higher than the average level of all bank loans (Yang, Li, & Jiang, 2020). Support from international financial institutions to scale up green investment is vital. It can be done by exploring new ways of finance that channel the fund toward sustainable development projects through green bond mechanisms and influencing the governance of global finance to give extra support to the sustainable development (M. V. Tang, 2021). International organizations such as the UN, OECD and G20 have set up an agenda on the issues of sustainability at an international level which then helps in coordinating sources of funding (M. V. Tang, 2021).

The rising awareness of green development leads to the escalation of demand in the environmental protection (Yang et al., 2020). Preferences among consumers can be changed by advocating and cultivating awareness of green consumption. Green Industry Development can be generated through the mechanics of the market's supply and demand, ergo, transforming the structure of the economy from its core (D. Y. Tang & Zhang, 2018). Moreover, a well-informed public can serve as a guide and

assistance in forming the environmental protection concept which includes caring about environmental problems, supporting the conservation of energy and reducing emissions.

Government should play its role by introducing more encouraging and supporting policies to fully inject enthusiasm in banks to carry out green finance. There is a need for further improvement in supporting policies and incentive mechanisms (Yang et al., 2020). Unstable funding and security may increase the risk for green credit, which results in amplified management cost, extended project duration and a disorganized environmental protection project. This kind of problem will paint the project of environmental protection as a high-investment project and viewed as project with high risk but low output which will then discourage the banks to support them. Therefore, introducing more stimulating policies by the government that is able to spark enthusiasm from the banking industry towards green credit-related business is essential to establish a long-term foundation for green credit business development (Yang et al., 2020). To decrease the financial risk of green credit in banks, the government should take charge of broadening the financial channels when necessary.

In this paper, the ASEAN countries - Philippines, Singapore and Thailand were selected as case studies to analyze the relationship between green financing and the performance of the company. The main reason for selecting ASEAN as the sample population is the growth of the economy among ASEAN countries requires higher primary energy consumption which leads to greenhouse gas emission. According to the study by Quang & Thao (2022) energy consumption had been developed positively over the years and there is an increase in carbon dioxide emission in recent decades. Implementation of various green activities for sustainable development in order to protect the environment by the ASEAN countries is necessary. The green activities include issuing green bonds and the first green bond issued in ASEAN was by PNB Merdeka Ventures Sdn Bhd in Malaysia in 2017 followed by Sindicatum Renewable Energy Co Pte Ltd of Singapore in 2018 and Kasikornbank Public Company Limited of Thailand in 2018 (Quang & Thao, 2022). Therefore, the relationship between green financing and environmental protection should be examined further in contributing to the green financing market development and the protection of the environment.

METHODOLOGY

Data and Sampling

The population of this study covered all companies listed as Public Listed Companies (PLCs) in Malaysia, the Philippines, Singapore, and Thailand. The sample years used in this study were the period between 2015 and 2021 and chosen because green sukuk had actively been issued in this period and based on the data availability as this study required data on daily basis. The Kuala Lumpur Composite Index (KLCI) was used as the benchmark stock index in this study for Malaysia, FTSE Strait Times Index for Singapore, Bangkok Set Index for Thailand and the Philippines Stock Exchange Composite Index for the Philippines. Criteria of data collection were adopted from Mahomed, Ramadilli, & Ariff, (2018). The data comprised of 46 issuances of green financing of the companies in Malaysia, 8 issuances of green financing of the companies in Philippines, 4 issuances of green financing of the companies in Singapore and 25 issuances of green financing of the companies in Thailand retrieved from Bloomberg. The data collected consisted of an event window of 50 days before and 50 days after the issuance of the green bond or green sukuk.

Method of analysis

This study relied on the Event Study method to analyse data. An event study is a well-established method that is used in determining wealth effect because of specific news in the market (Brown & Warner, 1985). This approach can be used for firms to measure the impact of their capital structure decision on stock price (Mahomed et al., 2018). According to the study by Tang & Zhang (2018) the event study method is used in analysing the impact on stock returns upon the green announcement. Event study may reveal the sensitivity of the stock market on the specific event that occurred. Based on Zhou & Cui (2019), an event study approach enabled analyzing the impact of a particular event on a company using financial market data. Referring to the study by Mahomed et al. (2018), the estimation period was 180 days to 41 days prior to the event. Event window selection is related to the research objective and should be specified in accordance with the specific situation while post-event window enables the impact of the long-term of the specific event to be analysed (Zhou & Cui, 2019). Hence this report used

an estimation window of 100 days. This study used the data from 50 days before the issuance and 50 days after the announcement date as the event window. Here, Day 0 refers to the announcement date of the green bond.

In estimating the normal returns, there are several kinds of models that can be used. First, the data on the issuance of green financing of the companies was retrieved from Bloomberg. The data collected consisted of an event window of 50 days before and 50 days after the issuance of the green bond or green sukuk. The return was calculated on daily basis based on the calculation in Equation 1. Today's stock price will be minus yesterday's stock price to get the return. Next, the abnormal return was calculated for each day. For this study, abnormal return was measured by calculating the real return value minus the expected return value within the event window as per equation 2. As for this study, the expected return value being used was the market return which was FTSE Bursa Malaysia Kuala Lumpur Composite Index (KLCI), FTSE Straight Time Index (STI), Bangkok Stock Exchange of Thailand Index (SETI) and Philippines Stock Exchange Index (PSEi).

Next, the cumulative abnormal return which is the sum of abnormal return for 101 days of the sample which included 50 days before the event and 50 days after the event was calculated as per equation 3. For Average Abnormal Return (AAR) which was the mean value of the bond and Cumulated Average Abnormal Return (CAAR) which was the sum of the mean value of average abnormal return, the equation is based on Equation 4 and Equation 5. However, for this research, we used STATA to run the data to get the mean, T-value and p-value for each of the 101 days which comprised data of cumulated abnormal return for 50 days before the issuance, the day of issuance (day 0) and 50 days after the issuance.

$$L_n Price - L_n Price_{n-1} \tag{1}$$

$$AR_{i,t} = RR_{i,t} - E(R)_{i,t} \tag{2}$$

$$CAR_t = \sum_{i=1}^T AR_{it} \tag{3}$$

$$AAR_t = 1/N \sum_{i=1}^n AR_{it} \tag{4}$$

$$CAAR_t = 1/N \sum_{i=1}^n CAR_{it} \tag{5}$$

Where,

$E(R)_{i,t}$ denotes the expected return of listed company i on the tth day

AR_{it} denotes the abnormal return of listed company i on the tth day

RR_{it} denotes the real return of listed company i on the tth day

CAR_{it} denotes the cumulative abnormal return of listed company i within the time interval T

AAR_{it} denotes the average abnormal return of all listed samples on the tth day

$CAAR_{it}$ denotes the cumulative average abnormal return of all listed company samples within the time interval T

We tested for cross-sectional CAR significantly different from zero to determine whether the announcement of the green financing, namely green bond and green sukuk, significantly affect the stock performance of the issuing firm.

RESULT AND FINDINGS

Event-Study Result

The discussion begins with the analysis of this study showing the descriptive statistical result of 46 samples. In support of the study hypothesis, the impact on the performance of the firm was tested. A t-test was performed using 46 samples and the results are presented in Table 1. The time interval [-50, 50] was used as the estimation window, and the market model was to calculate the abnormal return. Cumulative abnormal returns were obtained by adding the daily abnormal returns over a particular time interval. Then, a statistical test was conducted in congruence with the daily abnormal return and cumulative abnormal returns to measure the significance of the event's effects. This study used the time interval of 50 days before the issuance date to 50 days after the issuance date as the estimation window, which consisted of 101 valid trading days.

The abnormal gain of the green financing issuance in the event period of -50 to 50 is documented in Appendix 1. Before the issuance of green financing, positive reactions were not reflected in either one of the companies. However, there were positive reactions displayed on Day 9 after the issuance. Each of the companies revealed a positive reaction towards the execution of green financing issuance on the firm.

The findings indicated that there was a significant impact of green financing on the performance of the firm. The hypothesis was rejected as when mean equals to zero, there was no impact of the issuance of green financing on the firm's performance.

Table 1: Event-Study Result

	N	Mean	Std. Error	Std Deviation	95% Confidence Interval of the difference		t	df
					Lower	Upper		
MY	101	-.00141807	.0048766	.0490094	-.0111558	.0081944	-0.3036	100

Overall, during 50 days pre and post announcement, companies that issue green financing had a relatively stable abnormal return. Prior to the announcement, the abnormal return remained relatively steady. After the

announcement, the highest abnormal return was obtained on day 9 and decreased in trend after that. The effect of green financing focussing on environmental protection gave significant support on the profitability and sustainability of the firm.

Event-Study Result Across ASEAN

The next discussion shows the study analysis on the impact of green financing in other ASEAN countries that had green financing issued. The countries are Philippines, Singapore, and Thailand. In support of the study hypothesis of the impact on performance of the firm being tested, a t-test was performed using 8 samples for the Philippines, 4 samples for Singapore and 25 samples for Thailand shown in Table 2. This analysis used the same time interval from 50 days before the issuance date to the 50 days after the issuance date as the estimation window, which consisted of 101 valid trading days, and the market model was used in calculating the abnormal return. The daily abnormal return was added for the time interval to obtain the cumulative abnormal return. In measuring the event’s impact, a statistical test was conducted.

Based on the findings, it was shown that there was a significant impact of green financing on the performance of firms in the Philippines, Singapore, and Thailand. The null hypothesis was rejected as when the mean equals to zero, there was no impact of the issuance of green financing on a firm’s performance. However, this analysis showed very limited results due to the low sample number.

Table 2: Event-Study Result Across ASEAN

N	Mean	Std. Error	Std Deviation	95% Confidence Interval of the difference		t	df	
				Lower	Upper			
PH	101	.0300744	.0120667	.121269	.0061344	.0540144	2.4923	100
SG	101	-.0125639	.0033281	.0334475	-.0191668	-.0059609	-3.7750	100
TH	101	.0261908	.0128565	.1292058	.000684	.0516977	2.0372	100

In general, the issuance of green financing in other ASEAN countries also gave a significant impact on the performance of the firm. Green financing can be a tool in managing environmental protection while giving a noteworthy positive impact on firm performance.

DISCUSSION

Chart 1 shows the performance of the firm based on the abnormal return gained from 50 days before issuance until 50 days after the issuance of green financing. Based on the findings shown in Chart 1, the highest abnormal return after the issuance of green financing was notable on Day 9. This indicates that the company should sell the bond after 9 days of the issuance to gain the highest abnormal return from the market reaction. This result may be perceived as a validation of positive effects around the announcement dates. This result showed that investors reacted positively to the issuance of green financing and proved the theory saying that these issuances are perceived as a value-added event for a company. A value-added event because there may be new opportunities for growth and reduced risks that are created by the ESG which can give added value to environmental protection. Issuing green bonds or sukuk can be beneficial to both the firm and society as there is a high abnormal gain after the issuance and the focus of green financing supports environmental protection.

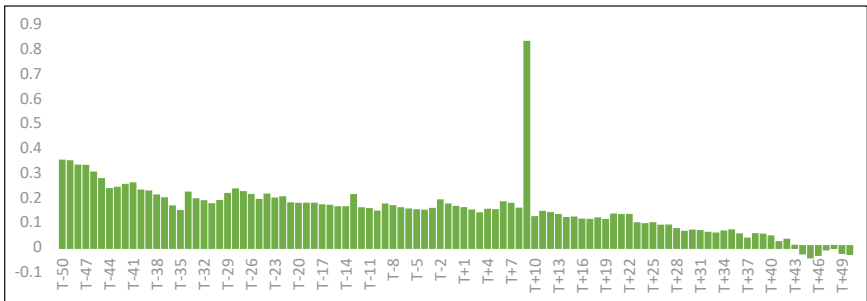


Chart 1 : Performance of the Firm from 50 Days Before Issuance Until 50 Days After Issuance

Aside from Malaysia, other ASEAN countries that implement green financing are the Philippines, Singapore, and Thailand. Chart 2 shows the analysis results on the issuance of green financing on the firm's performance of four countries from 10 days before the issuance until 10 days after the issuance. There was a significant impact on the issuance of green financing on the performance of the firm in all the countries mentioned. However, Malaysia showed the highest impact procured by exhibiting the highest abnormal gain on Day 9.

Chart 2

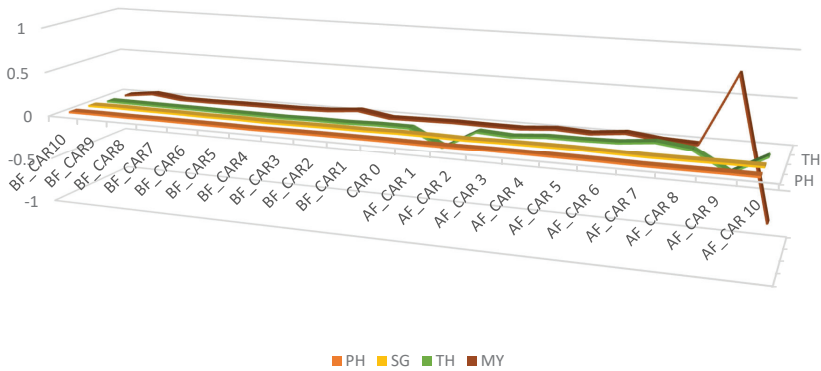


Chart 2: Performance of the Firm in ASEAN from 10 Days Before Issuance Until 10 Days After Issuance

The effort on sustaining environmental protection requires a considerable amount of initial capital and long payback period investments which encourage the environmental protection industry to form unique ways of financing. Green financing is a suitable and favourable option for this industry as it supports economic growth while reducing the pressures on the environment which is one of the ways in protecting the environment. According to Wang & Zhi (2016), green finance is an innovative financial pattern that focuses on the issue of environmental protection and accomplishing utilization of sustainable resources. From the Islamic financing perspective, the significance of green sukuk is evident as it does not only focus on supporting the finance of climate action projects, it is also an ethical form of investment that prohibits riba and interest (Amirat & Sabreena, 2018).

This study contributes to the literature on green financing. While the existing literature primarily discussed the reasons and benefits of moving into green financing to protect the environment, we have presented evidence that the announcement of the issuance of green financing as a financing instrument, significantly impacts the performance of the firm. We have revealed how the green way of financing affects value-creating information positively. The findings also suggest that green financing is an optional alternative method for environmental protection whilst facing the

global impact of climate change. Finally, our study serves as a validation for previous research on the relationship between the importance of green financing and environmental protection.

CONCLUSION

This paper highlights the challenges and importance of environmental protection in modern times based on previous work in the literature. Another issue highlighted is the effectiveness of green financing on environmental protection by using the data of green bond issuance from Public Listed Companies in Malaysia. Data of publicly listed companies, which have been issuing green bonds since 2015, were analysed in determining the impact of the green financing issuance on the companies based on the stock price performance. The result indicated that the announcement of green sukuk issuance has a positive impact on the stock price of the companies. This research was supported by the data on green bond issuance from Public Listed Companies in the Philippines, Singapore, and Thailand. In other words, green financing has created an attraction among investors by stimulating their interest in the prospect of increasing environmental protection. Green financing plays an active role in the improvement of a company's profitability and supporting sustainability that contributes to environmental protection. Studies on green financing are still limited in Malaysia. Therefore, future study may look into the relationship between green financing and the performance of firms.

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