

Green Bond: A New Debt Instrument for Environmental Resilient Projects

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Owing to the agreement around the world regarding the negative effects of climate change and the requirement for high levels of cost-effective debt capital to finance projects that yield environmental benefits, Green Bonds (GB) were introduced to the global capital market in 2007. Despite high expectations on GB in the capital market as a source of financing green projects, the GB market has not been as effective as first expected at addressing the global climate change problem. There is a substantive investment gap worldwide in meeting the financing need of green projects. Therefore, a scientific investigation is essential to find out the reasons that limit the growth of the GB market, which was the objective of this study. The study employed a qualitative research approach to address this timely topic by using content analysis. The study reviewed all key publications of global market players during 2007 to 2019 to identify how stakeholders in the world perceive the GB market. The study has validated the significant findings through opinions of stakeholders in the market using both, interviews and questionnaire surveys. Findings of the study reveal that not only the investor side, but supply side of the market is also not up to scale. Whilst the high administration cost, limited knowledge about the market, limited standardization and difficulties in obtaining credit ratings limit the supply side of the market, absence of large-scale issues, less market liquidity, and fear for green washing due to less market credibility limit the demand side. Streamlining of Green Bond Principles and greater intervention of governments are recommended as the main solutions to overcome these challenges.

Keywords: Green bonds, Green bond principles, Content analysis, Interviews, Questionnaire