# Article information:

Do shareholders benefit from green bonds? - ScienceDirect  
<https://www.sciencedirect.com/science/article/pii/S0929119918301664>

# Article summary:

1. Green bonds can improve firm value in the short run, as evidenced by a 1.4% cumulative abnormal return for the [−10, +10], 21-day event window around green bond issuance announcements.

2. The positive stock market reaction to green bond issuance is likely due to the “investor attention” channel, as evidenced by an increase in institutional ownership and stock turnover, rather than the “financing cost” channel.

3. Green bonds can have a positive impact on a firm's liquidity and visibility, but there is still no universal definition of green bonds and more research is needed to fully understand their long-term effects on shareholder welfare.

# Article rating:

Appears moderately imbalanced: The article provides some useful information, but is missing several important points or pieces of evidence that would be required to present the discussed topics in a balanced and reliable way. You are encouraged to seek a more balanced perspective on the presented issues by exploring the provided research topics and looking at different information sources.

# Article analysis:

The article "Do shareholders benefit from green bonds?" provides an empirical study on the impact of green bond issuance on shareholder value. While the study is informative, it has several limitations and potential biases that need to be addressed.

Firstly, the article assumes that maximizing shareholder welfare is equivalent to maximizing firm value. This assumption overlooks the fact that firms have multiple stakeholders, including employees, customers, and communities, whose interests may not always align with those of shareholders. Therefore, a more comprehensive stakeholder approach should be adopted to evaluate the impact of green bonds on firm value.

Secondly, the article focuses solely on short-term stock price reactions to green bond issuance announcements without considering long-term effects. Green bonds are intended to have a positive environmental impact in addition to financial benefits. Therefore, it is important to examine whether green bond issuers actually achieve their environmental goals and whether these goals translate into long-term financial benefits for shareholders.

Thirdly, the article suggests that green bonds can improve firm value in the short run through three potential channels: financing cost, investor attention, and firm fundamental. However, the evidence presented in the study does not strongly support any of these channels. Therefore, further research is needed to understand how green bonds affect firm value.

Fourthly, while the article acknowledges that there is no universal definition of green bonds, it relies heavily on data from two sources (CBI and Bloomberg) that have closely related and consistent definitions of green bonds. This approach may limit the generalizability of the findings and overlook other types of green bonds that do not meet these criteria.

Finally, the article does not explore potential risks associated with investing in green bonds or consider alternative perspectives on their effectiveness in promoting sustainable development. For example, some critics argue that green bonds may simply shift investments from non-green projects rather than creating new ones or that they may be subject to "greenwashing" where issuers overstate their environmental benefits.

In conclusion, while the article provides valuable insights into the impact of green bonds on shareholder value, it has several limitations and potential biases that need to be addressed. A more comprehensive and balanced approach is needed to evaluate the effectiveness of green bonds in promoting sustainable development and creating long-term value for all stakeholders.

# Topics for further research:

* Stakeholder approach to firm value
* Long-term effects of green bonds
* Channels through which green bonds affect firm value
* Limitations of relying on specific definitions of green bonds
* Risks associated with investing in green bonds
* Alternative perspectives on the effectiveness of green bonds

# Report location:

<https://www.fullpicture.app/item/bb72ec2457cb2eca1e69a07dfd25c580>