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Corporate ESG Bonds in Emerging Markets

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Introdução
Corporate green bonds and social bonds have become very popular in recent years (Reuter, 2021), and while these debt instruments became more prevalent in the financial markets, the knowledge about them did not follow. Studies need to investigate the issuance in other markets besides North America and Europe. Studies about sustainable bond issuance in emerging markets or undeveloped economies are scarce, and these regions face much greater social and environmental challenges, suggesting that ESG debt instruments could lead to a more substantial change (Cunha, Meira & Orsato, 2021).
Problema de Pesquisa e Objetivo
In this study, we aim to analyse the relationship between ESG bond issuance and ESG and financial performance in public companies in emerging markets, considering the three dimensions of ESG performance, separately. So, it aims to shed light on the effectiveness of ESG bonds in supporting the development of green and social projects by answering the following questions: Can ESG bond issuance improve firms' environmental, social and governance performance of emerging markets companies? And, do ESG bond issuance have a positive impact on the corporate financial performance of emerging markets?
Fundamentação Teórica
According to the signaling argument, companies could use ESG bond issuance as a credibly signal to market players about their commitment toward environmental and social issues, which would cause a positive outcome for these players, improving their financial performance. And, assuming that it is a trustworthy commitment firm's environmental and social performance are also likely to improve (Flammer 2020, 2021, Yeow & Ng, 2021). This study, therefore, hopes to investigate if this argument can be beheld in emerging markets.
Metodologia
We compile a data set of public companies headed in emerging markets from the Refinitv database, considering their ESG performance, financial performance, information about the ESG bond issuance, and other accounting information, from 2016 to 2020. Next, we examine how ESG and financial performance are influenced by ESG bond issuance using a two-level hierarchical linear model (HLM2), and fixed effects regression to additional testing.
Análise dos Resultados
The results show a positive and statistically significant relationship between ESG bond issuance and ESG performance. Likewise, for ESG bond issuance and environmental performance, and social performance, individually. For the influence of ESG bonds on governance performance, there is a positive relationship, if we consider a significance of 10%. And, finally, for financial performance, results present a positively and statistically significant relation with ESG bond issuance.
Conclusão
Our findings indicate that ESG bonds contribute to better environmental, social, governance, and financial performance. And from the theoretical perspective, these findings are consonant with the signaling theory (Flammer, 2020, 2021). This research contributes to the efforts to the continual commitment between financial systems and sustainability. This study's insights show that in undeveloped economies the issuance of ESG bonds can help companies improve their ESG and financial performance, encouraging more issuance in these economies, which greatly need sustainable projects.
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Palavras Chave
ESG bonds, Sustainability, Emerging markets

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