

Firms' readiness to green bond market in an emerging economy – Barriers and possibilities

Quang N. Dang

Oxford Brookes University

Abstract

The study seeks to provide insights into firms' readiness to incorporate green bond as an alternative to other traditional financial sources in their capital structure transformation for economic growth. Using survey evidence from a sample of 53 firms in Vietnam, the research reveals the factors which negatively affect the firm's access to financial sources designed specifically for environmental-friendly projects. The results show that the benefits from using green finance relating to their profit-making strategies, such as better reputations or lower tax expenses, are the most attractive points that the firms may realize. Lack of awareness, personnel and an appropriate organizational structure are the main obstacles preventing firms from effective access to green finance. An in-depth analysis of the data has shown that shareholders and potential investors did not have a significant impact on such financing decisions of firms. While environmental concerns were also considered, this goal was not on top of the list. Furthermore, firms were also found to be confused when determining their projects to be suitable for green finance, and the lack of proper guidelines and standardizations make them less willing to apply for green finance support.

Keywords: green bond, emerging economy, financial decision making, green finance, smaller firm.