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IMPROVING CORPORATE REPUTATION IN INDONESIA THROUGH GREEN BOND AND GREEN SUKUK – BASED FINANCING SOURCES

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Abstract

The objective of this research is to empirically examine how financing through green bonds and green sukuk impacts the improvement of corporate reputation within Indonesia. Employing a quantitative methodology, this research utilizes secondary data extracted from the statistical reports of OJK and BEI over the 2019–2023 period. The sample selection technique was carried out using a purposive sampling method, resulting in a sample of 31 green bond series and 45 green sukuk series from various public companies. The data were analyzed using linear regression tests facilitated by the SEM-AMOS software. The findings indicate that both financing instruments yield a positive impact. Specifically, green bonds demonstrate a significant influence on corporate reputation (p < 0.027). Similarly, green sukuk also exhibit a substantial effect on corporate reputation, supported by a significance value of (<0.015).

Penelitian ini bertujuan untuk menyajikan bukti empiris mengenai dampak pendanaan melalui *green bond* dan *green sukuk* terhadap peningkatan reputasi perusahaan di Indonesia. Penelitian ini mengaplikasikan pendekatan kuantitatif dengan memanfaatkan data sekunder yang ditarik dari laporan statistik OJK dan BEI dalam rentang waktu 2019-2023. Pemilihan sampel ditetapkan melalui teknik *purposive sampling* berdasarkan kriteria-kriteria tertentu yang telah ditentukan, menghasilkan sampel sebanyak 31 seri obligasi hijau dan 45 seri sukuk hijau dari berbagai perusahaan publik. Analisis data dilakukan menggunakan uji regresi linier dengan alat SEM-AMOS. Hasil penelitian menunjukkan bahwa kedua instrumen pembiayaan tersebut memiliki dampak positif. Pertama, obligasi hijau memiliki pengaruh signifikan terhadap reputasi perusahaan dengan nilai signifikansi <0,027. Kedua, sukuk hijau juga memiliki pengaruh signifikan terhadap reputasi perusahaan dengan nilai signifikansi <0,015.

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INTRODUCTION

Reputation is a crucial intangible asset and a key indicator for stakeholders in assessing a company's credibility, sustainability, and strategic direction. The quality of this reputation significantly influences investment decisions and is a determining factor in a company's success in minimizing capital costs (Blajer-Golebiewska & Kozlowski, 2016; Grover et al., 2019). On the other hand, the current rapid progress of the industrial sector has had negative impacts in the form of increased pollution and dangerous ecological degradation (Agustia et al., 2019; Bisht et al., 2020; Munasinghe, 1999). Consequently, environmental issues are now at the center of global economic debate, potentially drastically reducing a company's reputation if the business entity fails to meet the high expectations of society for environmentally conscious business practices (Chen et al., 2023; Kemp, 2002; Sandler, 1997).

In light of the growing concerns regarding climate change, the Indonesian government and financial authorities have initiated sustainable financing mechanisms, notably green bonds (Financial Services Authority, 2016). The objective of issuing green bonds is more specific than that of conventional bonds. Green bonds are defined as debt securities in which the raised capital is exclusively allocated to finance or refinance environmentally sustainable business operations, either partially or entirely. The growth of this instrument is also supported by Bank Indonesia's implementation of an inclusive macroprudential funding ratio to increase banking interest in green bonds.

Green bonds have emerged as a vital financial instrument to promote sustainability and environmental conservation. These bonds are designed to fund projects that have a positive environmental impact, aligning corporate financial goals with global efforts to combat climate change (Banga, 2019; MacAskill et al., 2021; Tuhkanen, 2020). International Capital Market Association (ICMA, 2014); defines green bonds as fixed income instruments exclusively used to finance or refinance projects with clear environmental benefits, such as renewable energy, energy efficiency, clean transportation, and sustainable waste management (Ehlers & Packer, 2017).

In 2022, Bank Indonesia (BI) will also introduce an inclusive macroprudential funding ratio to boost interest in issuing green bonds by allowing banks to meet the funding ratio by purchasing green bonds. This policy has boosted domestic demand for green bonds. This is evident in the fact that Indonesia has issued IDR 5 billion in global sukuk this year and recently issued IDR 2.2 billion in SDG bonds.

In addition to conventional instruments, Sharia compliant financing innovations also exist through green sukuk. Green sukuk, commonly referred to as green sukuk, are investments based on Sharia principles, where the funds are allocated to finance and refinance environmentally friendly projects. Green sukuk is a form of green financing innovation, supporting the government's commitment to tackling climate change, which is inextricably linked to corporate social responsibility, particularly with regard to natural resources and the environment.

Green sukuk has emerged as a unique and innovative financial instrument that combines Islamic finance principles with environmental sustainability objectives (Alkadi, 2024; Fitrah & Soemitra, 2022; Juniyanto, 2021). As a subset of sukuk, green sukuk aligns with Sharia principles while focusing on financing projects that benefit the environment . International Islamic Financial Market (IIFM, 2018); green sukuk refers to Islamic bonds where the proceeds are used exclusively to finance or refinance environmentally sustainable projects (F. H. M. Liu et al., 2025; Sam'ani & Mahfud, 2008).

Green sukuk is a unique investment instrument in Indonesia. In fact, in 2018, Indonesia became the first country in the world to issue green sukuk globally, raising $1.25 billion. Data from the Refinitiv Green and Sustainable Sukuk Report in June 2022 shows that Indonesia accounts for 27% of all global green sukuk issuances. From 2018 to 2022, Indonesia has successfully issued

US$5 billion (approximately Rp80 trillion) worth of global green sukuk, as well as Rp11,800 billion worth of retail green sukuk.

Although extensive research on corporate reputation has been conducted, the state of the art in this study lies in positioning reputation as a direct outcome of environmental commitment, evaluated through credible green finance instruments. Existing literature confirms that these environmentally sound debt instruments send a positive signal to investors regarding a company's commitment to sustainability (Bhutta et al., 2022; Flammer, 2021) and support ecologically aligned economic development (Hai Yen et al., 2023; Putriana, 2022).

Corporate reputation is closely tied to signaling theory because a company's actions serve as signals to its stakeholders about its values, priorities, and quality (Tran, 2023). For example green bonds and green sukuk the issuance of green bonds and sukuk can signal a company’s commitment to sustainability and environmental stewardship (Naseri & Amani, 2024). This positive signaling can improve perceptions among stakeholders, including investors, customers, and regulators, enhancing the company's reputation (Arhinful et al., 2025).

Building on this theoretical foundation, this research's novelty lies in exploring the flexibility of green bonds and green sukuk, not merely as mechanical financing tools, but as positive marketing strategy instruments capable of mitigating business risks and expanding the investor base in the Indonesian capital market(F. H. M. Liu et al., 2025). By integrating conventional and sharia perspectives, this research offers a new empirical barometer of how green investments can create competitive advantage and enhance a company's intangible value (Zahir & Aiq, 2024; Zia, 2025).

Based on the empirical background and theoretical study above, the problem formulation in this research is focused on two main questions: (1) do green bonds have a significant effect on increasing a company's reputation?, and (2) do green sukuk have a significant effect on increasing a company's reputation?

In line with these issues, this study aims to provide a foundation and empirical evidence that the adoption of green bond and green sukuk-based financing can effectively enhance corporate reputation. Furthermore, this study is expected to demonstrate that the integration of green financing not only supports environmental sustainability but also positively impacts the reputation of issuing companies in Indonesia.

METHODS

This study employs a quantitative approach, a research method based on the philosophy of positivism, to examine a specific population or sample using numbers as a statistical analysis tool (Sugiyono, 2018). This approach was chosen to objectively test the effect of green financing on corporate reputation through systematic mathematical calculations (Tanjung & Devi, 2013).

The type of data used is secondary data, that is, data that has been collected and prepared for publication by relevant parties or agencies for direct use by researchers (Tanjung & Devi, 2013). This data includes official statistical reports from the Financial Services Authority (OJK, 2016) and company data from the Indonesia Stock Exchange (IDX) for the 2019-2023 period.

The study population consisted of all publicly traded companies listed on the Indonesia Stock Exchange. The sample was selected using a purposive sampling technique to ensure it met specific criteria (Sugiyono, 2019). Based on this technique, the final sample consisted of 31 green bond series and 45 green sukuk series relevant to environmental conservation.

Table 1. Measurements

Variables	Measurement
Company Reputation	$Corp_Rep = \frac{Sales\ Growth_t - Sales\ Growth_{t-1}}{Sales\ Growth_{t-1}}$
Green Bonds	$Green\ Bonds = \frac{Green\ Bond\ Value}{Total\ Ekuitas}$
Green Sukuk	$Green\ Sukuk = \frac{Green\ Sukuk\ Value}{Total\ Ekuitas}$

The data analysis method used in this study was simple linear regression. Furthermore, the data was processed using statistical software such as SEM AMOS and Microsoft Office Excel. The general model for simple linear regression is as follows:

Y = β0 + β1 X1 + ε .....(Model 1)

Y = β0 + β2 X2 + ε .....(Model 2)

RESULT AND DISCUSSION

1. Data and Samples

The present study relies exclusively on secondary data sources. Green finance was first issued in Indonesia in 2018. Following that initial phase, various other entities began issuing green bonds to back eco-friendly projects. The development of green finance instruments issued between 2019 and 2023 is detailed below..

Table 2. Green Bonds and Green Sukuk in 2019-2023

Description	2019	2020	2021	2022	2023	Total
Green Bond issued	1	2	8	6	14	**31**
Green Sukuk issued	1	8	30	6	0	**45**

From the table above, it indicates that the green bonds issued by corporate entities in 2019 - 2023 were 31 series of environmentally friendly bonds, while the green sukuk series were 45 series with different companies.

2. Normality Test

In assessing To assess the normality of the data in this study, the z-value was utilized. This z-value was determined using a critical value determined by a significance level of 0.01, applying a critical value threshold between -2.58 and 2.58, the z-value was assessed via the critical ratio (c.r.) during data analysis using IBM AMOS 22. The detailed outcomes of the normality assessment are presented in the table below:

Table 3. Normality of Model 1

Variable	min	max	skew	cr	kurtosis	cr
Green Bond	,000	,217	,943	2,143	-,821	-,934
Corporate Reputation	-,882	,575	-1,469	-3,339	2,506	2,848

Variable	**min**	**max**	**skew**	**cr**	**kurtosis**	**cr**
Multivariate					**1,168**	**,813**

(Source: Processed data, 2025)

Table 4. Normality of Model 2

Variable	min	max	skew	cr	kurtosis	cr
Green Sukuk	,001	,242	1,172	3,210	1,131	1,548
Corporate Reputation	-,512	,512	-,050	-,138	-,144	-,197
Multivariate					**,523**	**,438**

(Source: Processed data, 2025)

Tables 3 and 4 above show that using multivariate analysis on the CR in the final row using the range value provision of ±2.58. Based on the data above, the multivariate analysis yields a value below 2.58, which means the data is normally distributed, both multivariately and univariately.

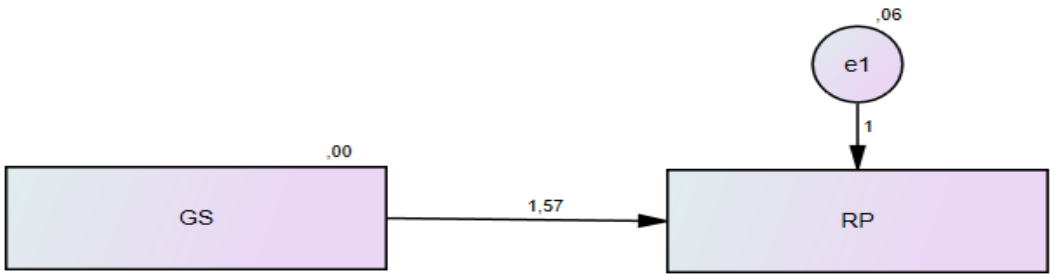
3. Hypothesis Test

The hypothesis test in this study aims to answer the problem phenomena in this study and is formed into a problem formulation that has been created and proposed



(Source: data by researchers, 2025)

Figure 1. Green Bond Model



(Source: Processed data, 2025)

Figure 2. Green Sukuk Model

After processing the data on Amos as in the image above, the next step is to look at the output results from the hypothesis test results in table 6 below.

Table 6. Evaluation of Hypothesis 1

	Estimate	SE	CR	P	Label
RP <--- GB	1,441	,650	2,217	,027	Accepted

(Source: Processed data, 2025)

The findings indicated that the p-value for the effect of green bonds on corporate reputation was 0.027, with an acceptable p-value of <0.05. Therefore, the research results support the hypothesis that corporate reputation can improve if green bond financing also increases.

Table 7. Evaluation of Hypothesis 2

	Estimate	SE	CR	P	Label
RP <--- GS	1,565	,647	2,421	,015	Accepted

(Source: Processed data, 2025)

The results showed that the significance value of green sukuk on corporate reputation was 0.015, with an acceptable p-value of <0.05. Therefore, the research results indicate that the hypothesis is supported, with corporate reputation increasing if green sukuk financing also increases.

4. Green Bonds on Corporate Reputation

Based on the data analysis, green bonds positively and significantly enhance the reputation of companies in Indonesia. This finding directly addresses the issue raised in the background regarding how companies can mitigate reputational decline due to global environmental issues through credible financing instruments (Arhinful et al., 2025). In theory, the issuance of green bonds sends a compelling message to both investors and stakeholders regarding a corporation's pledge to environmental preservation (Li et al., 2025; Y. Liu et al., 2025).

This research aligns with the views of (Bhutta et al., 2022; Flammer, 2021), who argued that green bonds serve as a strategic tool to promote sustainable development while simultaneously boosting the reputational standing of the issuers. Emphasized that green bonds serve as a positive marketing tool that helps expand the investor base, particularly for social investors concerned with environmental issues and willing to provide incentives in the form of reduced borrowing costs (Deschryver & de Mariz, 2020). This demonstrates that investing in environmentally friendly projects is not simply a cost burden, but rather a strategy to gain social legitimacy and strengthen a company's public image.

5. Green Sukuk on Corporate Reputation

The second hypothesis test proves that green sukuk also has a significant impact on corporate reputation. As explained in the background regarding the significant potential of the Islamic market in Indonesia, this instrument presents itself as an innovative Islamic financing instrument that supports economic development in harmony with ecological protection (Rahmat et al., 2025). In theory, utilizing green sukuk fosters greater transparency and accountability by obligating issuers to clearly report the environmental consequences of their financed projects (Fitrah & Soemitra, 2022).

This finding is supported by research by (Hai Yen et al., 2023), which confirms that ecological responsibility integrated into corporate strategy positively impacts business sustainability. Specifically, (Putriana, 2022) state that sukuk issuance can minimize agency problems due to the strict oversight mechanism provided by sukuk investors over management. (Alkadi, 2024) emphasize that despite challenges in market development, green sukuk remains an effective instrument for enhancing corporate reputation, especially in an era where sustainability is a primary concern for global stakeholders

CONCLUSION

This study successfully demonstrated that adopting environmentally friendly financing instruments is an effective strategy for strengthening a company's position and positive image in the Indonesian capital market. Based on the empirical analysis, it can be concluded that utilizing green bond and green sukuk-based financing sources significantly positively impacts corporate reputation. By issuing these instruments, companies send a strong signal to stakeholders of their concrete commitment to ecosystem preservation and sustainable development.

More specifically, the test results show that the increased use of green bonds has a significant impact on investor perceptions of corporate environmental performance. Similarly, green sukuk not only serves as an innovation in Islamic financing but also increases corporate transparency and accountability, which in turn boosts public reputation. Thus, integrating environmental considerations into the capital structure has proven to be a strategic solution to address the challenges of the climate crisis while creating a sustainable competitive advantage.

Based on the research findings and obstacles encountered during the implementation process, several recommendations can be put forward: It is recommended that companies more actively utilize green financing instruments as a strategic tool to expand their investor base and achieve long-term borrowing cost efficiencies through improved reputation. Strengthening the regulatory framework, improving education, and providing more attractive incentives are needed to encourage the growth of the green financing market in Indonesia, particularly to optimize the potential of green sukuk instruments, which currently still have a relatively small market share.

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