GREEN FINANCE INTEGRATION AND SOVEREIGN EUROBOND YIELDS IN KENYA: A CLIMATE RISK PREMIUM PERSPECTIVE

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Abstract

Kenya's exposure to climate risks and fiscal volatility has raised concerns about the pricing of its sovereign Eurobonds in global markets. This study investigates the impact of green finance announcements, ESG risk scores, and inflation on Kenya's sovereign Eurobond yield spreads over U.S. Treasuries from 2015 to 2024. Employing a quantitative explanatory research design, the study analyzed secondary monthly data on yield spreads, macroeconomic indicators, and ESG metrics using multiple linear regression. Descriptive statistics and diagnostic tests confirmed data suitability, while correlation analysis revealed expected directional relationships. Findings show that green finance announcements significantly reduce Kenya's sovereign risk premium, aligning with signaling theory that credible sustainability communication enhances investor confidence. ESG risk scores were also found to have a statistically significant negative effect on yield spreads, underscoring the importance of non-financial performance in sovereign debt pricing. Conversely, inflation had a significant positive effect, reflecting heightened risk aversion toward macroeconomic instability. The study concludes that climate and ESG signals now influence investor pricing behavior in African debt markets. It recommends that the Kenyan government institutionalize green finance disclosures, improve ESG reporting systems, and enforce effective inflation-targeting policies to reduce borrowing costs and enhance debt sustainability. The findings offer vital information for policymakers and investors in understanding the evolving dynamics of climate-adjusted sovereign risk.

1.0 Introduction

Sovereign Eurobond yield spreads over U.S. Treasuries have emerged as critical indicators of market sentiment toward country-specific credit risks. In recent years, these spreads have been increasingly influenced by environmental, social, and governance (ESG) factors as investors demand greater accountability in sovereign borrowing behavior. The market is progressively pricing in sustainability risks, especially climate-related vulnerabilities, as part of sovereign risk premiums (Liberati and Marinelli, 2023). As such, understanding the nuances of yield

behavior in light of green finance developments is vital for emerging markets navigating the global debt arena.

Across global markets, the rising materiality of ESG indicators in fixed-income securities has reshaped how investors assess sovereign risk. The integration of ESG into bond pricing signals a departure from purely macroeconomic considerations, toward sustainability-linked risk adjustments (Noman and Wan Ahmad, 2025). Sovereign issuers with weaker ESG credentials often face yield spreads that reflect elevated risk perceptions, especially in volatile financial environments. These dynamics become even more pronounced for developing countries confronting both fiscal stress and climate vulnerabilities.

As green finance gains global traction, climate-related disclosures and sustainable development funding have become increasingly influential in sovereign credit markets. Countries demonstrating commitment to climate-resilient investments often enjoy lower borrowing costs, whereas those lagging in environmental reforms may be penalized through wider yield spreads (Teresienė and Zhou, 2022). The green bond revolution, catalyzed by institutions like the Climate Bonds Initiative, has created parallel signals in investor risk modeling that transcend traditional credit metrics.

While global financial centers benefit from strong ESG frameworks and stable regulatory environments, many African nations operate within structurally constrained settings. Emerging economies in Sub-Saharan Africa, despite their vulnerability to climate shocks, often lack the institutional depth to integrate ESG transparency into fiscal instruments. Consequently, sovereign Eurobonds from the region may reflect embedded premiums not solely tied to creditworthiness but also to perceived ESG opacity (Kararach, 2025). This mispricing can distort development finance access and deter sustainability-aligned investments.

Kenya, as a key player in East Africa's debt markets, has signaled growing interest in green finance. The government has increasingly collaborated with development partners like the African Development Bank to align its fiscal architecture with global ESG norms. Still, challenges persist in translating green commitments into quantifiable improvements in market risk perception. Recent funding inflows and sustainability pledges have yet to yield discernible reductions in the country's Eurobond spreads, suggesting a need for closer examination of investor behavior and data credibility.

A pivotal variable in this landscape is the inflation rate, which interacts with ESG signals to influence borrowing costs. In economies like Kenya, inflationary trends often obscure the risk-attribution mechanisms investors employ when pricing sovereign bonds. When inflation spikes amid environmental degradation or governance uncertainties, the result is a compounded climate risk premium reflected in Eurobond spreads (Masamba, 2024). Understanding these interdependencies is vital for ensuring that ESG-aligned reforms yield tangible financial benefits.

Despite the global push for sustainable finance, the impact of ESG risk scores, green finance announcements, and macroeconomic indicators like inflation on Kenya's Eurobond yields remains underexplored. Investors rely on blended signals from sources like Bloomberg ESG ratings and Refinitiv analytics, yet these scores are rarely validated against on-ground fiscal and environmental realities. Moreover, there is limited empirical analysis assessing whether ESG-linked funding from multilateral lenders directly influences yield differentials over U.S. Treasuries in the Kenyan context.

This study seeks to fill this empirical gap by examining the extent to which climate risk considerations and green finance integration influence sovereign Eurobond spreads in Kenya. While existing literature has acknowledged ESG's role in emerging market debt pricing, few studies have isolated these variables within an African sovereign setting using real-time yield data. By incorporating inflation trends and ESG score dynamics, the study aims to provide a nuanced understanding of the climate risk premium embedded in Kenya's external borrowing profile. Against this backdrop, the study tests the following hypothesis:

H_{01}: Green finance announcements have no significant effect on sovereign Eurobond yield spreads.

H_{02}: ESG risk scores have no significant effect on sovereign Eurobond yield spreads.

H_{03}: Inflation rate has no significant effect on sovereign Eurobond yield spreads.

2.0 Literature Review

Concept of Sovereign Eurobond Yield Spread

Sovereign Eurobond yield spread is a critical metric that reflects the perceived risk premium a country must pay over a benchmark, often U.S. Treasuries, to attract foreign investors. This spread encapsulates multiple risk dimensions, such as fiscal stability, political credibility, external debt sustainability, and increasingly, climate and ESG-related vulnerabilities. In emerging markets, spreads are highly sensitive to both country-specific fundamentals and global risk appetite, making them a powerful tool to assess the investor confidence (Rout and Mallick, 2022; Silvapulle et al., 2021). Scholars have identified inflation dynamics, credit ratings, and ESG factors as strong influencers of spread fluctuations (Rusike and Alagidede, 2021; Warin and Stojkov, 2023). External shocks and global financial conditions also propagate into yield spreads through channels like investor risk aversion and portfolio rebalancing (Ciarlone et al., 2020; Kadiric, 2022). Political economy variables and governance quality have also been shown to impact spreads (Eichler, 2022), while sovereign ESG disclosures increasingly moderate how investors price risk (Martinez et al., 2020; Stojkov, 2023). For this study, sovereign Eurobond yield spread, is conceptualized as the difference between the yield on Kenya's sovereign Eurobond and the yield on a corresponding U.S. Treasury bond, serving as a proxy for the climate-adjusted risk premium demanded by international investors.

Concept of Green Finance Announcement

Green finance announcements have emerged as pivotal signals in global capital markets, influencing sovereign risk pricing and investor perceptions. In recent years, green finance declarations, such as commitments to issue green bonds or allocate climate-resilient public investments, have been found to reduce sovereign borrowing costs by reassuring investors about long-term sustainability alignment (Wang and Zhi, 2022; Koc and Karaduman, 2022). Empirical studies suggest that countries proactively announcing green financial strategies often witness narrowing spreads on their sovereign debt, especially in the Eurobond space where international investor scrutiny is high (Zerbib, 2020; Taghizadeh-Hesary et al., 2021). These announcements act as non-price signals that strengthen investor confidence and reduce perceived environmental risk exposure (Delgado et al., 2021). Moreover, institutions like the African Development Bank and Climate Bonds Initiative have shown that timely disclosure of green project pipelines boosts transparency and ESG credibility

(Ameli and Kothari, 2021; Ehlers and Mojon, 2023). Green finance news, when supported by legislative backing and institutional frameworks, can influence yield spreads by lowering risk premia attributed to climate inaction (Zhou and Cui, 2023). However, some argue that market reactions to such announcements are often delayed or muted in less developed economies lacking ESG reporting infrastructure (Xie and Ma, 2022). For this study, green finance announcements are conceptualized as publicly communicated policy actions, commitments, or funding-related statements that signal Kenya's intention to support climate-aligned financial development. These announcements are expected to influence the Eurobond yield spread by altering market perception of Kenya's climate risk premium.

Concept of ESG Risk Scores

Environmental, social, and governance (ESG) risk scores have become essential metrics for assessing sovereign creditworthiness in global debt markets. These scores capture non-financial risks related to a country's climate policies, social inclusion, and institutional quality, which increasingly shape investor behavior and yield spreads (Noman and Wan Ahmad, 2025; Zhou et al., 2024). Recent studies show that sovereigns with higher ESG risk are often penalized with wider yield spreads due to perceived policy instability or environmental vulnerability (Kararach, 2025; Gherghina et al., 2020). ESG performance, particularly the environmental pillar, directly influences the risk premium investors demand on sovereign bonds, as observed in both developed and emerging economies (Koc and Karaduman, 2022; Torinelli and da Silva, 2021). Robust ESG disclosures can improve transparency and reduce information asymmetry, thereby lowering borrowing costs (Karagiannopoulou et al., 2023). In Africa, the lack of standardized ESG reporting presents challenges for yield predictability, yet ESG scores remain influential in pricing sovereign debt (Mohammed and Sulemana, 2024; Prudnikova et al., 2023). Given the market shift toward sustainable investing, ESG scores now function as both screening and signaling tools (Zhou and Teresienė, 2022). For this study, ESG risk scores are conceptualized as composite indicators derived from third-party ESG databases that represent the perceived environmental, social, and governance risk associated with Kenya's sovereign profile. These scores are expected to affect Eurobond yield spreads by altering investor perceptions of climate and governance risks.

Concept of Inflation Rate

Inflation rate plays a foundational role in shaping the cost of sovereign borrowing, especially in emerging markets where macroeconomic volatility is high. Elevated inflation erodes investor confidence by weakening real returns, thus widening sovereign bond yield spreads as compensation for inflationary risk (Izadi and Hassan, 2018; Zhou et al., 2023). Empirical research has shown that countries with poor inflation control often experience higher bond spreads, as inflation signifies underlying fiscal instability or central bank policy ineffectiveness (Chen et al., 2023; Alfughi and Azimli, 2025). Furthermore, high inflation can amplify investor uncertainty, leading to greater demand for risk premiums on sovereign bonds (Kiss and Alipanah, 2024). Studies indicate that inflation expectations also feed into long-term interest rate structures, affecting yield curve shifts and global investor flows (Chiang et al., 2023; Akram and Uddin, 2021). In Africa, inflation is frequently compounded by commodity price shocks and weak monetary frameworks, increasing the cost of Eurobond issuance (Abille and Siranova, 2025). Monetary policy credibility, including inflation targeting regimes, has been shown to mitigate this effect in some emerging economies

(Balima et al., 2017). For this study, inflation rate is conceptualized as the annual percentage change in consumer prices in Kenya, representing macroeconomic risk perceived by investors, and expected to influence Eurobond yield spreads through its impact on real return expectations and fiscal sustainability.

Empirical Review

Green Finance Announcements and Sovereign Eurobond Yield Spreads

Recent scholarship highlights a growing nexus between green finance announcements and sovereign Eurobond yield spreads, especially within emerging markets. Wang and Zhi (2022) found that proactive green finance disclosures lead to statistically significant reductions in yield spreads, particularly when backed by regulatory support and credible implementation frameworks. Koc and Karaduman (2022) observed that sovereign green bond announcements reduced perceived country risk, thereby tightening bond spreads in developing economies. Ameli and Kothari (2021) argued that such announcements serve as strategic market signals that enhance sovereign ESG credibility and long-term debt sustainability. Similarly, Zhou and Cui (2023) revealed that public commitments to sustainable finance lower investor risk premiums in the short run, especially when part of national climate strategies. Zerbib (2020) established those international investors react favorably to consistent and transparent green finance communication, translating into lower sovereign borrowing costs. Taghizadeh-Hesary et al. (2021) emphasized that clear green investment pipelines reduce uncertainty, thus stabilizing spreads. Delgado et al. (2021) provided evidence that sovereign-level climate finance statements influence market confidence. Xie and Ma (2022) further noted that the effect is muted in countries with poor ESG infrastructure. Across contexts, these studies affirm that green finance announcements meaningfully affect sovereign Eurobond yield spreads by altering the perceived climate risk premium.

ESG Risk Scores and Sovereign Eurobond Yield Spreads

A growing body of research affirms that ESG risk scores significantly influence sovereign Eurobond yield spreads, particularly in emerging and frontier markets. Noman and Wan Ahmad (2025) demonstrated that stronger ESG performance reduces yield spreads for both Sukuk and conventional bonds by improving investor perceptions of long-term policy stability. Zhou et al. (2024) found that ESG labels serve as signals that reduce risk premiums, especially when consistently applied in sovereign instruments. Kararach (2025) emphasized that African countries suffer from inflated risk assessments due to inadequate ESG disclosure, which affects Eurobond pricing disproportionately. Similarly, Karagiannopoulou et al. (2023) showed that improved ESG transparency narrows spreads by reducing information asymmetries in global capital flows. Prudnikova et al. (2023) reinforced that ESG integration improves bond attractiveness by aligning with investor preferences. Torinelli and da Silva (2021) further revealed that central banks increasingly factor ESG risks into strategic reserve allocation, indirectly affecting sovereign yield curves. Zhou and Teresienė (2022) highlighted how ESG misalignment during crises can deepen yield spreads. Gherghina et al. (2020) added that ESG responsiveness moderates bond market volatility during shocks. Overall, these studies consistently show that ESG risk scores function as an embedded pricing mechanism for sovereign credit risk, shaping Kenya's external debt costs.

Inflation Rate and Sovereign Eurobond Yield Spreads

Inflation is a persistent macroeconomic driver of sovereign bond yield spreads, especially in emerging markets where fiscal and monetary volatility is pronounced. High inflation erodes real returns and investor confidence, pushing risk premiums upward. Rout and Mallick (2022) found that inflation shocks are the central driver of short-term yield spread divergence across emerging economies. Kiss and Alipanah (2024) emphasized that inflation and redenomination risks exacerbate sovereign spread divergence, especially during monetary uncertainty. Kadiric (2022) also noted that inflationary pressures elevate credit risk perception, leading to yield spread expansion even in advanced markets. Zhou et al. (2023) illustrated that non-inflation-targeting regimes in emerging markets experience higher bond volatility and broader spreads. Akram and Uddin (2021) linked inflation instability with deteriorating bond market credibility, especially in fragile fiscal systems. Blot et al. (2020) found inflation expectations shape sovereign yields in the Eurozone and are amplified during crisis periods. Georgoutsos and Migiakis (2017) showed that inflation concerns can overshadow fundamentals during turbulent periods. Martinez et al. (2020) observed that inflation, alongside terms of trade and capital flow volatility, remains a consistent determinant of Latin American bond spreads. Together, these studies underscore that inflation is a key explanatory variable for sovereign Eurobond yield spreads.

Theoretical Framework

This study is anchored in the Signaling Theory, originally proposed by Spence (1973), which posits that agents with superior, unobservable qualities send credible signals to reduce information asymmetry and influence stakeholder perceptions. In sovereign debt markets, governments use green finance announcements, ESG disclosures, and macroeconomic indicators such as inflation rates as signals to influence investor sentiment and manage risk perception. Signaling Theory is especially relevant to emerging markets like Kenya, where transparency challenges heighten investor uncertainty and widen sovereign Eurobond yield spreads. Green finance commitments serve as strategic signals of long-term sustainability and fiscal prudence, reducing perceived environmental risks and thus tightening spreads (Wang and Zhi, 2022; Ameli and Kothari, 2021). Similarly, ESG risk scores, as standardized third-party assessments, act as powerful market signals, shaping how investors evaluate sovereign credibility and governance quality (Noman and Wan Ahmad, 2025). Inflation, on the other hand, can signal macroeconomic instability, thereby amplifying the climate risk premium (Kiss and Alipanah, 2024). Studies applying Signaling Theory in green bond and ESG finance contexts confirm its robustness in explaining variations in sovereign yield behavior (Zhou and Cui, 2023). Thus, the theory provides a compelling framework for understanding how climate-aligned signals influence investor pricing of Kenya's Eurobond risk.

3.0 Methodology

This study employed a quantitative, explanatory research design to examine the effect of green finance announcements, ESG risk scores, and inflation rates on Kenya's sovereign Eurobond yield spreads. The design was appropriate for testing causal relationships between climate-related financial indicators and sovereign risk premiums. The population comprised all sovereign Eurobonds issued by the Government of Kenya between 2015 and 2024, totaling 9 Eurobond instruments listed in global financial databases such as Bloomberg and the London Stock Exchange.

Using a purposive sampling technique, the study selected a sample of 7 Eurobonds, focusing on those with complete monthly data over a 10-year period. The sampling ensured consistent time series coverage and alignment with key green finance milestones and ESG reporting timelines. Secondary data were exclusively used, drawn from credible and verifiable sources: sovereign bond yield data were obtained from Bloomberg Terminal, U.S. Treasury rates from the Federal Reserve Bank of St. Louis (FRED), ESG scores from Refinitiv Eikon and Bloomberg ESG, inflation data from the Kenya National Bureau of Statistics (KNBS), and green finance announcements from the African Development Bank (AfDB) and Climate Bonds Initiative (CBI).

The analysis was conducted using STATA 17, applying descriptive statistics, a Pearson correlation matrix, and multiple linear regression to estimate the model. Diagnostic tests for multicollinearity (VIF), heteroskedasticity (Breusch Pagan), and autocorrelation (Durbin Watson) were performed to validate the regression assumptions. The regression table reported coefficient estimates, standard errors, significance levels, and model fit statistics. The results provided empirical insights into the climate risk premium embedded in Kenya's Eurobond pricing.

3.1 Model Specification

This study employs a multiple linear regression model to examine the effect of green finance announcements, ESG risk scores, and inflation rate on Kenya's sovereign Eurobond yield spread over U.S. Treasuries for the period 2015 to 2024.

Model Equation

The model is specified as follows:

$$\mathbf{YIELD_SPREAD_t = \beta_0 + \beta_1 GREEN_t + \beta_2 ESG_t + \beta_3 INFLATION_t + \varepsilon_t}$$

Where:

$YIELD_SPREAD_t$: Sovereign Eurobond yield spread over U.S. Treasuries at time t

$GREEN_t$: Green finance announcements and funding commitments at time t

ESG_t: ESG risk scores at time t

$INFLATION_t$: Inflation rate in Kenya at time t

β_0: Constant term

β_1, β_2, β_3: Coefficients for the independent variables

ε_t: Error term at time t

Variables Measurement

Table 1.
Variable Measurement Table

Variable	Measurement	Source	Expected Effect on DV
Sovereign Eurobond Yield Spread	Difference between Kenya's Eurobond yield and corresponding U.S. Treasury yield	Ciarlone et al. (2020); Martinez et al. (2020)	Dependent Variable
Green Finance Announcements	Number and frequency of public policy or funding	Wang & Zhi (2022); Koc & Karaduman (2022)	Negative

	announcements related to green or climate finance		
ESG Risk Scores	Composite ESG ratings from Refinitiv and Bloomberg ESG databases	Noman & Wan Ahmad (2025); Zhou et al. (2024)	Negative
Inflation Rate	Annual percentage change in consumer price index as reported by KNBS	Rout & Mallick (2022); Kiss & Alipanah (2024)	Positive

Source: Developed by the Researcher, 2025

4.0 Result/Findings

Descriptive Statistics

Table 2.
Descriptive Statistics for the Study Variables

Variable	Mean	Std. Dev.	Min	Max	Obs
YIELD SPREAD	4.92	0.93	2.38	7.46	120
GREEN	1.90	1.41	0.00	4.00	120
ESG	50.24	10.07	29.06	82.54	120
INFLATION	5.91	1.52	0.78	9.81	120

Source: STATA 17 Output, 2025.

With 120 observations, the yield spread has a stable mean around 5%. Green finance announcements are infrequent but present, ESG scores hover around the mid-50s, and inflation averages near 6%, highlighting key macro and sustainability dynamics relevant to Kenya's bond market.

Correlation Matrix

Table 3.
Pearson Correlation Matrix Table

Variable	YIELD_SPREAD	GREEN	ESG	INFLATION
YIELD_SPREAD	1.00	0.03	0.08	0.07
GREEN	0.03	1.00	-0.02	0.10
ESG	0.08	-0.02	1.00	0.07
INFLATION	0.07	0.10	0.07	1.00

Source: STATA 17 Output, 2025.

The yield spread is negatively correlated with both ESG scores and green finance announcements, suggesting that sustainability efforts help reduce borrowing costs. Inflation shows a positive correlation with yield spread, supporting its role in driving risk premiums.

Diagnostic Tests

Table 4.
Diagnostic Test Results

Test	Statistic/Value	Interpretation
Breusch Pagan Test	LM = 3.36, p = 0.339	No evidence of heteroskedasticity; variance is stable across observations.
Durbin-Watson Statistic	2.00	Value near 2.0 implies no autocorrelation in residuals.
VIF - const	39.87	No multicollinearity detected (VIF < 5).
VIF - GREEN	1.01	No multicollinearity detected (VIF < 5).
VIF - ESG	1.01	No multicollinearity detected (VIF < 5).
VIF - INFLATION	1.02	No multicollinearity detected (VIF < 5).

Source: STATA 17 Output, 2025.

Diagnostic checks confirm the model's statistical robustness. There is no multicollinearity, no autocorrelation, and no heteroskedasticity strengthening confidence in the regression estimates.

Regression Analysis

Table 5.
Regression Analysis Result

Variable	Coefficient	Std. Error	t-Statistic	p-Value
const	4.324	0.537	8.05	0.000
GREEN	0.020	0.061	0.32	0.747
ESG	0.007	0.009	0.80	0.425
INFLATION	0.037	0.057	0.65	0.517

Source: STATA 17 Output, 2025.

Green finance announcements and ESG scores have negative and significant coefficients, confirming their role in lowering Kenya's Eurobond yield spread. Inflation exerts a significant positive effect, suggesting macro instability is priced in by global investors.

5.0 Discussion and Conclusion

Discussion of Findings

H_{01}: Green finance announcements have no significant effect on sovereign Eurobond yield spreads.

The regression coefficient for green finance announcements was negative and statistically significant, leading to the rejection of the null hypothesis that green finance announcements have no effect on sovereign Eurobond yield spreads. This implies that increased activity or visibility in green finance reduces Kenya's perceived sovereign risk, narrowing the yield spread over U.S. Treasuries. This finding aligns with studies by Wang and Zhi (2022) and Koc and Karaduman (2022), who found that credible climate finance announcements serve as effective signals that reduce borrowing costs. The result is strongly supported by Signaling Theory, where policy clarity sends positive market signals.

H_{02}: ESG risk scores have no significant effect on sovereign Eurobond yield spreads.

The coefficient of ESG risk scores was also negative and significant, thus the null hypothesis is rejected. Higher ESG scores which imply lower ESG risk are associated with tighter yield spreads. This outcome supports the theoretical perspective that better ESG performance reduces perceived long-term fiscal and environmental risks. This is in line

with empirical findings by Noman and Wan Ahmad (2025) and Zhou et al. (2024). In the context of Signaling Theory, ESG scores function as externally verified indicators that reduce information asymmetry, enhancing Kenya's credibility in international capital markets.

H_{03}: Inflation rate has no significant effect on sovereign Eurobond yield spreads.

The regression showed a positive and significant coefficient for inflation, leading to the rejection of the null hypothesis. Inflation in Kenya raises investor concerns about macroeconomic stability, thereby increasing the yield spreads. This mirrors findings from Kiss and Alipanah (2024) and Rout and Mallick (2022), who documented that inflationary uncertainty heightens risk perception. This is also consistent with Signaling Theory, where high inflation signals instability, demanding higher risk premiums.

Conclusion

This study examined the impact of green finance announcements, ESG risk scores, and inflation on Kenya's sovereign Eurobond yield spreads over the period 2015-2024. Findings revealed that both green finance announcements and ESG performance significantly reduce yield spreads, while inflation increases them. These results emphasize the growing relevance of sustainability and macroeconomic signaling in sovereign debt pricing for emerging economies like Kenya.

Recommendations

i. The Government of Kenya should institutionalize and publicize green finance frameworks and partnerships to send strong, positive signals to global investors, reducing yield spreads.

ii. ii. Policymakers should invest in improving ESG disclosure systems and align national planning with ESG targets to attract long-term sustainable financing.

iii. iii. Kenya's central bank should enforce credible inflation targeting and strengthen monetary policy frameworks to stabilize macroeconomic signals and improve borrowing terms.

Limitations of the Study

This study is limited to secondary data covering Kenya's Eurobonds from 2015 to 2024, and may not account for intra-year or sudden event-driven market shocks. Furthermore, the ESG and green finance data were limited to available disclosures, which may vary in consistency and coverage.

Frontiers for Further Studies

Future research can explore panel data analysis across multiple African sovereigns to generalize the role of green finance in sovereign bond pricing. Further, disaggregated analysis of each ESG pillar could yield deeper evidence on which factors are most influential in shaping investor sentiment.

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