

Impact of green building certificate on firm's financial performance

ABSTRACT

Implementation of green building (GB) practice is one of the environmental practice taken by some developers in order to overcome the loss of green space in urban area. The developers who are implement GB practice are eligible to get GB certificate. As reported by Green Building Index (GBI) on 2016, only 8% out of 2,000 developers have GB certificate. Most of them are not interested and stated that adoption of GB certificate is not a preferred investment for their business. Their perception are contradict with the previous studies which have proved that the environmental practice is positively significant with firms' financial performance. Hence, the objective of this study is to evaluate the impact of GB certificate on the firms' financial performance. A total of 323 developers' financial reports for the year 2015 were collected from Bursa Saham Malaysia and Suruhanjaya Syarikat Malaysia. Using propensity score matching (PSM) technique, it was found that developers with GB certificate had higher return on asset (ROA) compared to developers without GB certificate. In conclusion, GB certificate have positive impact on firm's financial performance. The finding of this study will motivate other developers to implement GB practice in their upcoming project development.