

**THE IMPACT OF ESG FACTORS ON SOVEREIGN BOND YIELD: EVIDENCE FROM
DEVELOPED AND BRICS ECONOMIES.**

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ABSTRACT

The study examines the relationship between the ESG (Environmental, Social and Governance) factors on the sovereign bond yield. The study is done on 15 countries containing 10 developed and 5 BRICS countries. PCA has been used on ESG data to reduce the dimensionality and then form indexes using the first three principal components. For this study we have used panel data regression for all our hypotheses testing. We observed significant impact of ESG factors on yield could be observed in BRICS nations, but no significant impact was seen in developed economies. ESG impacts sovereign bond yield in the long run rather than short run. ESG was seen to be impacting in the long run rather than short run. Also, during the times of crisis, it is seen that governance factor might play a crucial role while on sovereign bond yield.

Keywords: ESG, Sovereign Bond Yield, Panel Data Regression, PCA.