

Research on the Development of Bank Green Loan Under “Double Carbon” Background

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Abstract: As the core of the financial industry, the green credit business carried out by commercial banks is the key project for the sustainable development of green finance, and provides a new way for commercial banks to increase profits. The expansion of the scale of green credit has promoted the change of the capital structure of commercial banks, made a large amount of funds flow into the ecological industry, and effectively promoted its healthy development through the economic leverage effect. The healthy development of ecological enterprises is the top priority to achieve the goal of double carbon, which is the welfare of the whole society. Therefore, it is an important means for commercial banks to vigorously develop green credit business to achieve the target of carbon peak and carbon reduction. Based on this, this paper focuses on the development path of green credit business of commercial banks, and puts forward relevant suggestions according to the problems existing in green credit business.

Keywords: Green Credit; Carbon Neutral; Carbon Peaks; Commercial Bank

1. Introduction

In 2021, China will officially enter the period of "14th Five-Year Plan". The development of China's economy is still a matter of great concern to most people. At the same time, the sustainable development of green finance has attracted much attention. Since 2012, China has issued a series of documents, including Green Credit Guidelines, China Green Finance Development Report (2018), and Green Bond Support Project Catalog (2021 Edition), in order to accelerate the green transformation and upgrading of the financial industry, promote financial services to the real economy, and ultimately realize the stable and healthy development of green finance ^[1]. As the mainstay of the financial industry, commercial banks develop green finance business mainly in credit, funds and other aspects, among which green credit business plays a crucial role in the development of green finance business of commercial banks. In order to better implement the concept of green finance, commercial banks develop green credit business mainly by controlling credit granting to guide funds to environmentally friendly enterprises, avoid ecological losses caused by the imbalance of fund utilization, and thus force enterprises to optimize their industrial structure. At present, the green credit business of Chinese commercial banks shows a steady growth trend ^[2]. From the national level, the country has given sufficient institutional support and protection for the green credit business, and provided quite a lot of preferential conditions and support and encouragement for commercial banks to develop green credit. Under the vigorous promotion of various policies, the development of green credit business of commercial banks provides a new profit channel for commercial banks.

2. Development

At the end of 2018, China's green credit business made a breakthrough as Industrial Bank became the first Chinese bank to join the Equator Principles. In April 2021, the National Development and Reform Commission and China Securities Regulatory Commission jointly issued the Catalogue of Projects Supported by Green Bonds (2021 Edition), which defines green projects in a more precise and scientific way, providing a more precise basis for commercial banks to flow funds into related energy conservation industries ^[3]. According to the statistics of China Banking and Insurance Regulatory Commission, by the end of September 2021, the

green credit balance of 21 major commercial banks in China has reached 14.08 trillion yuan, an increase of more than 21% compared with the beginning of the year, and the non-performing loan rate has remained below 0.7%, far lower than the overall non-performing loan level of all types of loans in the same period ^[4]. On November 8, 2021, in order to encourage more social funds to invest in green and low-carbon fields and achieve the purpose of leveraging funds to promote carbon emission reduction, the central bank announced the launch of the carbon emission reduction support tool, a structural monetary policy tool, which provided a huge impetus for further realizing the double carbon goal. Under the great support of a series of policies, the environmental benefits of green credit gradually appear, providing broad prospects and development space for our country to promote low-carbon social construction and promote the green transformation of commercial banks ^[5]. Although the current green credit business shows a rapid development trend, commercial banks still face many challenges in the process of carrying out green credit business, such as immature regulatory system, shortage of relevant talents, and inconsistent standards of big banks.

3. Challenges

3.1 Legal Loophole

The rapid development of green finance is inseparable from the strong support of the national and local governments. However, at present, our country's authoritative legislation in this respect is still short. Most of the law enforcement regulations are quoted in other relevant laws and regulations, and there is not a set of authoritative laws and regulations aimed at the green credit. As a result, the risk responsibility subjects of green credit are not clear, and the division of rights and responsibilities is not clear when enterprises and commercial banks have investment and financing disputes. In addition, the lack of awareness of relevant social subjects on environmental protection leads to frequent disputes, which makes it difficult to effectively protect the legitimate rights and interests of commercial banks ^[6].

3.2 Information Disclosure

At present, all major commercial banks have maintained a sound development trend of steady growth of green credit business, attach great importance to the disclosure of relevant information, and always maintain a good level in the disclosure of relevant elements such as climate and environment information. However, in contrast, the disclosure quality of related enterprises financing through green credit is uneven, and there is no perfect disclosure mechanism ^[7]. Therefore, commercial banks are in a disadvantageous position of "information island", which requires banks to invest a lot of extra capital to evaluate and investigate enterprises in need of loans, thus increasing the operating costs of commercial banks to carry out green credit business. It increases the risk of lending, reduces the total profit of commercial banks, and ultimately results in the efficiency of financing and supporting the realization of dual-carbon goals.

3.3 Innovation and talent

The healthy and stable development of green credit cannot be separated from innovation, and the first prerequisite for sustainable innovation vitality is sufficient relevant professional talents. Professional talents should not only know business skills related to traditional loan business of commercial banks, but also fully understand environmental protection, pollution prevention and other knowledge related to green development, and be able to organically combine the two. Then promoting the development of the green credit of commercial banks, fully practicing our country's policy requirements of the green finance. But at this stage, the number of professional talents in our country is still in a weak position. The shortage of relevant talents has caused the serious insufficiency of related product innovation ability for developing the green credit. Commercial bank in developing the green credit mainstream business is still traditional loan. Therefore, if a large number of professionals cannot be introduced in time to inject vitality into the innovation of commercial banks and ensure the speed of the development of related financial products, it will lead to the instability of capital investment on the supply side of green credit and bring non-negligible obstacles to the development of the demand side of green credit.

3.4 Capital Investment

The realization of the dual-carbon goal is a gradual process, and the construction of projects in low-carbon industries, such as sewage solid waste treatment, clean transportation and other projects, often takes a longer period than that in traditional industries.

However, at present, Chinese commercial banks do not have a clear understanding of this characteristic of low carbon industry. When providing loans to related low carbon industry, they are more concerned about the income brought by capital investment rather than the mismatch of investment and financing term, so they pay more attention to enterprises with fast capital recovery and high profits. At present, bank funds are mainly invested in industrial energy-saving and water-saving projects, renewable energy projects and green transportation projects. Since the establishment of the green credit statistics system in 2013, these three projects have accounted for more than 50% of the green credit balance of 21 major commercial banks, causing the problem of unreasonable green investment structure. As a result, some low-carbon industries with a long cycle, such as green agriculture, forestry and development, and green buildings, receive very limited financial support. Some enterprises even cannot get enough credit support for a long time, resulting in insufficient funds leading to the break of the capital chain, and the project cannot be sustained. In the long run, green credit will deviate from the original purpose of financial instruments.

4. Development suggestions

4.1 Improve the Law

Perfect laws and regulations are an important system guarantee in the process of realizing the goal of double carbon. First of all, we should formulate unified standards for the development of green credit, improve the legal system of green credit, and strive to promote the integration of economic development goals with environmental protection. To this end, commercial banks can set up graded credit rates for different industries, and examine whether the parties strictly abide by the requirements of laws and regulations while conducting green credit, so that the legitimate rights and interests of both parties can be effectively protected. Secondly, both credit parties should continue to establish and improve their own green credit information disclosure mechanism. Commercial banks should actively disclose information such as the situation and quantity of carbon emission reduction loans issued, and low-carbon industries should also disclose their carbon emission information, so that both sides can establish a unified platform for sharing and disclosing environmental information and reduce the additional cost input caused by information asymmetry [8]. At the same time, fintech technology can also be actively used to enhance the efficiency of relevant information disclosure and improve the transparency of green credit.

4.2 Strengthen Management

There are several versions of the demarcating standard of the green project in our country. Therefore, it is necessary to accelerate the research of green finance supervision caliber and establish a top-down unified green credit standard. First of all, it is necessary to strictly regulate the access requirements of green credit, make clear provisions on the total amount of loans and credit access, conduct strict examination on enterprises with loan needs, and make strict examination permeate all links, so as to ensure the effective management of subsequent credit business. Secondly, we should actively strengthen post-loan testing with the help of scientific and technological means, and strictly assess to ensure the effectiveness of green credit. The lending customers shall be classified and managed according to the severity of environmental risks, regularly monitor whether enterprises have environmental violations and other aspects of notification through relevant disclosure channels, and adjust credit strategies in real time according to the verification results to reduce lending risks.

4.3 Talent Introduction

Commercial banks should be committed to increasing innovation in related low-carbon products and speed up product innovation in green insurance, green funds, green asset securitization, green trust, green leasing, carbon trading, carbon finance and other fields. For example, they can enrich the retail green financial products serving families and individuals and include them in the category of green product design. At the same time, in the innovation of specific financial products, we can constantly follow up the policy changes and development trends related to green finance at home and abroad, constantly improve the inclusiveness of green financial services, and try our best to meet the needs of customers oriented towards low-carbon environmental protection.

Human beings are the core forces of innovative products, but our green credit business started late and the industry lacks relevant talents. Based on this, commercial banks should also strengthen the construction of talents and train professional talents familiar with the green credit business and related aspects to make full use of their core role. Sufficient professional personnel will enable

commercial banks to timely understand the latest green credit policies and respond quickly, and ultimately improve the efficiency of green credit business and promote the prosperity and development of green credit.

5. Conclusion

In summary, there are still problems in aspects such as regulatory system is not mature, shortage of relevant talents, the standards of big banks are not unified, these problems will restrict the further development of green credit. At the same time, it shows that there is a gap between the current development of green credit business and the standard needed to achieve the development target of green finance in our country. Therefore, it is necessary to solve these problems as soon as possible so that commercial banks can carry out green credit smoothly. On the national side, we should constantly improve the green credit related laws and regulations and disclosure system, and formulate unified green credit management standards. In terms of commercial banks, first of all, a large number of professionals should be introduced to improve the innovation ability of carbon finance related products. Secondly, we should improve the fund structure of green lending and flexibly use scientific and technological means to improve the efficiency of green credit. Finally, commercial banks should also continuously improve their ability to identify the demand side of credit, so that credit funds can flow into the ecological industry in urgent need of development more accurately and effectively, and improve the utilization rate of funds. Under the joint action of both sides, the prosperity and development of green credit will eventually be realized, and the early realization of the "double carbon" goal will be further promoted.

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