

Research on the Impact of Green Credit on the Credit Risk of Chinese Commercial Banks

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Abstract. With the rapid growth of my country's economy, the threat of environmental problems to social problems is becoming more and more serious. After the concept of "green credit" was proposed, green credit has been highly valued and may become the mainstream of future financial development and promote the sustainable development of society. With the development of green finance, what impact will it have on the credit risk of commercial banks? Will green credit affect banks' own risks? Impact on its business performance?

Keywords: Green Credit; Credit Risk; Commercial Bank.

1. Introduction

With the rapid growth of our country's economy, the threat of environmental problems to social problems is becoming more and more serious. my country proposed "green credit" in 2007, and at the same time increased the promotion of the concept of green financial ecology. After that, a series of policies were introduced, including the China Banking and Insurance Regulatory Commission's proposal in 2020 that the green finance professional service capability and risk prevention and control capability of commercial banks can be improved by establishing green finance business departments. Vigorously develop green bonds, energy efficiency credit and green credit asset securitization, and support the development of green, low-carbon and circular economy. And the 2022 government report also emphasizes accelerating the R&D, promotion and application of green and low-carbon technologies, developing green finance, and promoting green and low-carbon production and lifestyles [1]. To sum up, it can be seen that green credit is highly valued and may become the mainstream of future financial development and promote the sustainable development of society.

According to the China Banking and Insurance Regulatory Commission, as of the end of 2021, the green credit balance of 24 major domestic banks has exceeded 19 trillion yuan, and the benefits brought by green credit are gradually emerging. However, with the development of green finance, what impact will it have on the credit risk of commercial banks? Will green credit affect banks' own risks? Impact on its business performance? This paper analyzes the impact mechanism of green credit on the credit risk of commercial banks and the current situation of green credit development.

2. Analysis of the Impact Mechanism of Green Credit on the Credit Risk of Commercial Banks

(1) Direct impact analysis: credit structure and asset quality

The main targets of green credit are green and environmental-friendly enterprises and projects that are in line with the country's future sustainable development strategy, limit the flow of funds to "two high and one surplus" enterprises, and accelerate investment in energy-saving and environmentally friendly enterprises, thereby optimizing the bank's credit structure. Second, banks provide credit support to these enterprises for their green transformation and green innovation. On the one hand, they can improve the operation level and profitability of these enterprises and gain more market opportunities[2].

In addition, thanks to the investment of environmental governance funds, the adverse impact of environmental protection policies on business operations will be reduced, the environmental risks

faced by banks will also be reduced, and asset quality will be improved. And the green industry conforms to the national policy orientation, the implementation and operation of the project will be supported by corresponding supporting policies and measures, the tax policy will be preferential, and the commercial bank's preferential credit support for the green industry will help improve the overall asset quality.

(2) Indirect Impact Analysis: Social Reputation and Profitability of Commercial Banks

As a major policy measure for the country to promote sustainable economic and social development, green finance is also a major development direction of the financial service industry in the future. Commercial banks can improve their social reputation by actively developing green credit business. Through the role of good social reputation, commercial banks can increase the chances of screening high-quality customers, indirectly reduce loan funds to polluting enterprises, and make more funds flow to green enterprises, thereby reducing credit risks.

On the other hand, in the short term, due to the fact that commercial banks need to invest more operating costs in the early development of green credit business, and the opportunity cost of loans to other enterprises is reduced by providing preferential loans to green enterprises, the risk of commercial bank loans is increased. However, from a long-term perspective, green development-oriented enterprises will have greater profit potential in the future. This can promote the optimization and adjustment of the credit structure of commercial banks by promoting the commercial banks to continue to increase financing for such enterprises, and improve the allocation efficiency of commercial banks' funds. The risk of corporate default is reduced, and the profits of commercial banks will be increased, forming a good credit capital circulation system, indirectly the ability to withstand credit risk can also be improved.

3. Analysis on the Development Status of Green Credit Business of Commercial Banks

3.1 Status Quo of Green Credit Development

In recent years, the state has vigorously promoted the concept of green development, and commercial banks have also actively implemented policies to carry out green credit business. In response to the call of national policies, various banking institutions have formulated relevant management measures and guiding opinions. For example, the Industrial Bank's "Industrial Bank's Carbon Asset Pledged Credit Business Management Measures" proposed to conduct pre-loan, mid-loan and post-loan processes for environmental protection enterprises. Strictly control, increase the loan amount for the environmental protection industry, and raise the loan threshold for high pollution and high energy consumption industries [3]. In addition, it is proposed to adopt the "one-vote veto" system for companies that do not meet the green loan conditions. The five major banks also use this system to strictly limit the secondary loans of polluting companies.

The scale of green credit development has gradually expanded. According to the data disclosed by the former China Banking Regulatory Commission, the green credit balance of 21 major banks in my country increased from 1,863.454 billion yuan at the end of 2012 to 8,624.802 billion yuan at the end of 2021; the average annual growth rate reached 21.02%, and the growth rate was after the release of the "Green Credit Guidelines". peaked at 32.58% in the first year. The growth rate gradually slowed down in the following years, and the growth rate picked up in 2019, reaching 24.14%, the second highest in history.

In terms of green credit policy, this is an energy-saving and emission-reduction policy that uses banks to play a role in environmental protection. The banking industry must establish credit access thresholds and realize environmental protection regulation through financial leverage. Loans must not be provided, and loans that have been lent to high-polluting enterprises should be recovered in time. For commercial banks, the implementation of green credit policies can also reduce the credit risk of commercial banks to a certain extent, and improve the bank's reputation and social reputation. image. Since the implementation of green credit in my country, the development of green credit has

been continuously supported and regulated by policies, thereby promoting the integration of green credit with the national development strategy. But in general, my country's green credit policies still have a lot of room for supplementation and improvement. For example, the current concept of green credit is not uniformly defined, the statistical indicators of green credit data of commercial banks are not uniform, and the supervision of green credit loans in the later stage is lacking. Corresponding supervision and so on [4].

3.2 Problems Faced in the Development of Green Credit

First, the scale of green credit of commercial banks in my country is still relatively small. Banks have weak control over the flow of credit funds, which may inhibit the effect of green credit.

Second, there is a lack of green credit professionals. The green credit market started late, and the application of relevant principles and standards of international green credit is relatively late, and there is a lack of professional talents that meet international standards. Professionals are needed to analyze the financial market, accurately interpret green credit-related policies, and master relevant environmental protection knowledge, so as to thoroughly evaluate the business model and risk development trend of green credit loan recipients, and to effectively carry out possible risks to loan recipients. Identify and evaluate to ensure the safety and effective use of loaned funds.

The third is the lack of risk identification mechanism and management system. In the process of developing green credit business, commercial banks must effectively identify and analyze possible environmental risks in order to ensure the safety of loaned funds. Because my country's commercial banks do not all carry out green credit business, there is no unified risk identification mechanism in the entire financial system. Although other countries have developed some tools for environmental risk in recent years, they are not very practical and few in number, so their popularity in banking institutions is low. Green credit includes environmental business and credit business. It is a breakthrough in the development of traditional credit business. If there is a lack of scientific and reasonable risk identification mechanism, it is extremely likely to lead to the blind expansion of green credit business of commercial banks and increase the possibility of credit risks of commercial banks.

4. Suggestions of Green Credit to Commercial Banks

For the development of commercial banks themselves, green credit is a financial road with sustainable development characteristics. In addition to having a very good role in expanding the profit space of banks, at the same time, through the active reform of the banking system and policies, the credit of bank assets will be improved. Risks will be more effectively controlled, but there are still some deficiencies that need to be improved:

4.1 Improve the Green Credit Policy System of Commercial Banks

(1) Improve laws and regulations on green credit finance

Establishing a sound legal system for green credit business is the basis for commercial banks and other financial institutions to effectively carry out credit business. In the past, most domestic commercial banks lacked corresponding internal organizations for green credit, resulting in commercial banks having no coercive power over green credit business, and at the same time. The lack of legal protection for credit entities has resulted in false information and fraud in the process of business development, which is not conducive to the development of green credit business. It is recommended that the relevant departments do a good job in the construction of laws and regulations on green credit, and ensure their smooth implementation, increase penalties, and increase the cost of default, so as to provide effective support for the healthy and orderly development of green credit business.

(2) Strengthen the cooperation between the banking industry and the environmental protection department

Commercial banks should adhere to the concept of prudent operation and increase the review of relevant information on loan objects. In addition to basic bank credit knowledge and skills, practitioners must also have knowledge of environmental protection and new technologies. In the process of developing green credit business, it is also necessary to understand the credit issuer's environmental information, which requires commercial banks and environmental protection departments to maintain a high sense of cooperation, and to exchange information on the environment and credit to ensure that credit funds are issued. Safety and efficacy.

4.2 Improve the Innovation of Green Credit Business

Innovation is the soul of social progress and sustainable development of enterprises. Compared with developed countries, China's green credit products have a single variety, strong product homogeneity, and lack of competitiveness. The reason for the lack of competitiveness is that commercial banks have not invested enough in product innovation, and have not upgraded the research and development of green credit products to the strategic height of bank development. The following recommendations are made to do the following:

(1) Active innovation of commercial banks

Commercial banks should speed up the innovation of green credit products, enrich and diversify the content of green credit products, so as to expand the scale of green credit; at the same time, commercial banks should also balance the development of green credit business and traditional intermediary business. It is necessary to avoid blindly developing green credit products and ignoring the development of traditional intermediary businesses, which may lead to a decrease in profitability and an increase in risks.

(2) Encourage the development of green credit to SMEs

At present, the development of China's green credit business is concentrated between commercial banks and large enterprises. There is still no or little credit support for small and medium-sized enterprises that develop green industries. This is mainly reflected in the lack of innovation in green credit products and the failure to achieve effective Financial supply, starting from the comprehensive service of green industry, establish a set of effective innovation incentive mechanism, actively and reasonably guide the active innovation of the banking industry, provide sufficient and effective credit support for green environmental protection projects, green production under the national macroeconomic background, green Consumption, and ultimately form a green economic system based on green credit, green production as the main body, and green consumption as the goal.

4.3 Commercial Banks Should Improve Their Green Credit Business Service Capabilities

From the perspective of banks, in order to better serve the development of a low-carbon economy and accelerate business transformation and upgrading, they should actively change their thinking.

Road concept, improve operational efficiency and green credit business professional ability, and shape professional competitiveness. In this regard, the bank will enhance its professional strength in green credit in the following directions: first, strengthen the construction of talent teams, and increase the proportion of candidates with a combined background in science and engineering and environmental majors when introducing talents; at the same time, strengthen daily training, focusing on Cultivate and improve the business sensitivity of credit personnel to environmental risks, gradually build a green credit business team that can take on special business responsibilities, and assign them to each branch to improve the strategic execution of the branch; the second is to actively explore and Comprehensively deepen the research on green finance, and accumulate experience and wisdom for the development of green credit by cooperating with universities and government departments to establish development research centers, participating in the pilot work of financial institutions, and undertaking green finance development planning projects of government departments. The third is to strengthen international cooperation, Learn from the advanced development and management experience of foreign mature Equator Banks.

5. Conclusion

To sum up, in order to better promote the development of green credit in China, it is necessary to combine with social responsibility, and constantly improve relevant laws and regulations, so that green credit can develop stably on the basis of perfect laws. Commercial banks should take the initiative to innovate, further promote the transformation and upgrading of the economic structure, and at the same time encourage the development of green credit to SMEs. Finally, it is necessary to strengthen exchanges and cooperation with international banks to lay a solid foundation for green credit to improve its international competitiveness.

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