

# Research on the Impact of Green Credit on Enterprise Development

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**Abstract.** This study delves into the significant impact of green credit on corporate development, with a particular focus on its role in reducing financing costs, improving operational performance, and enhancing environmental outcomes. As green credit emerges as a crucial financial instrument, it offers companies preferential financing options that encourage the adoption of environmentally sustainable practices. The research findings indicate that green credit not only reduces the cost of capital but also drives substantial improvements in both financial and environmental performance. This dual benefit is especially pronounced in high-polluting industries, where the adoption of green credit facilitates compliance with environmental regulations and strengthens market competitiveness. Furthermore, the study examines how businesses are adapting their strategies in response to green credit policies, including optimizing their financing structures and investing in sustainable technologies. Overall, the research underscores the vital role of green credit in fostering a sustainable economy by aligning financial incentives with long-term environmental and economic goals.

**Keywords:** Green credit; corporate development; green transformation; financing costs.

## 1. Introduction

### 1.1. Research Background

In the context of the new era, the intensifying global environmental crises and the transformation of societal contradictions have brought significant challenges to economic and corporate development. Environmental degradation, resource scarcity, and climate change have necessitated a paradigm shift towards sustainability in both policy and practice. As a result, the financial sector has increasingly recognized its pivotal role in driving environmental responsibility and promoting sustainable development. Among various financial innovations aimed at addressing these challenges, green credit has emerged as a critical tool. Green credit, also known as sustainable finance or environmental finance, refers to the provision of financing that supports projects with positive environmental impacts, such as renewable energy, pollution control, and resource conservation.

In China, green credit has gained substantial momentum in recent years, reflecting the country's broader commitment to sustainable development and its ambition to transition towards a low-carbon economy. The Chinese government has actively promoted green credit through various policy measures, encouraging financial institutions to integrate environmental considerations into their lending practices. This shift is aligned with global trends where the financial industry is increasingly expected to play a proactive role in environmental stewardship. Green credit not only supports environmental sustainability but also contributes to the overall resilience and long-term viability of businesses by encouraging more responsible and efficient use of resources.

The significance of green credit extends beyond environmental benefits. For enterprises, particularly in emerging economies like China, accessing green finance is becoming increasingly important for maintaining competitiveness in a global market that increasingly values sustainability. This research aims to explore the multifaceted impacts of green credit on corporate development, focusing on how it influences financing costs, operational performance, and environmental outcomes. The study will also examine the strategies that businesses adopt in response to the growing prominence of green credit, including the necessary shifts in their operations and financing approaches.

## 1.2. Research Significance

Understanding the impact of green credit on corporate development is of profound significance, both in practical and theoretical terms. The dual significance of this research lies in its potential to inform business practices and contribute to the academic discourse on sustainable finance and corporate strategy.

### 1.2.1 Practical Significance

In practical terms, this research is crucial as it provides insights into how green credit can serve as a catalyst for corporate growth and transformation in an era where sustainability is no longer optional but imperative. As environmental regulations become more stringent and consumer awareness of sustainability issues increases, companies face growing pressure to integrate environmental considerations into their business models. Green credit offers a tangible means for companies to align their operations with these expectations by providing financial incentives for environmentally responsible practices.

For businesses, particularly in sectors with significant environmental impacts, the ability to secure green financing can be a decisive factor in their long-term success. Green credit can lower financing costs, making it more feasible for companies to invest in clean technologies and sustainable practices. This not only helps in meeting regulatory requirements but also enhances the company's market reputation, potentially leading to greater customer loyalty and better stakeholder relations. Furthermore, as investors increasingly prioritize environmental, social, and governance (ESG) criteria, companies with robust green financing strategies may find it easier to attract capital, thus improving their financial stability and growth prospects.

From a policy perspective, this research can inform the development of more effective green finance policies that support corporate sustainability while also driving broader economic and environmental goals. By understanding the impacts of green credit on corporate behavior, policymakers can design incentives and frameworks that encourage more businesses to adopt sustainable practices, thereby accelerating the transition to a green economy.

### 1.2.2 Theoretical Significance

Theoretically, this research contributes to the growing body of literature on sustainable finance, corporate sustainability, and the strategic management of environmental risks. While there is an increasing recognition of the importance of green finance, the specific mechanisms through which green credit impacts corporate performance remain underexplored. This study seeks to fill this gap by providing a comprehensive analysis of how green credit influences various dimensions of corporate development, including financial performance, operational efficiency, and environmental impact.

This research also contributes to the theoretical understanding of the strategic responses of firms to environmental challenges and opportunities. It examines how companies adapt their strategies to meet the requirements of green credit, including investments in green technologies, improvements in resource efficiency, and the development of new business models. These insights are valuable for advancing theories related to corporate sustainability and strategic management, particularly in the context of emerging markets where environmental and economic pressures are often more pronounced.

Moreover, this study adds to the discourse on the role of financial institutions in promoting sustainable development. By exploring the interactions between green credit policies and corporate strategies, the research provides a nuanced understanding of how financial tools can be leveraged to achieve environmental objectives. This has broader implications for the development of sustainable finance theories, particularly those that seek to integrate financial performance with environmental and social outcomes.

### 1.3. Research Content

The content of this research is structured to systematically explore the relationship between green credit and corporate development. The study begins with a thorough review of the concept and development of green credit, tracing its evolution both globally and within China. This provides the foundational context for understanding the role of green credit in the current financial landscape and its relevance to corporate sustainability.

The research then delves into the specific impacts of green credit on corporate development. This includes an analysis of how green credit influences financing costs, which is a critical factor for companies considering investments in sustainable technologies and practices. The study also examines the impact of green credit on operational performance, exploring whether and how access to green financing leads to improvements in efficiency, innovation, and competitive advantage.

Another key focus of the research is the impact of green credit on environmental performance. This section evaluates the extent to which green financing leads to measurable improvements in environmental outcomes, such as reduced emissions, better resource management, and enhanced compliance with environmental regulations.

In addition to analyzing the impacts of green credit, the research explores the strategies that companies adopt in response to the growing importance of sustainable finance. This includes a discussion of the necessary organizational changes, investments in green technologies, and adjustments to business models that enable firms to leverage green credit effectively.

The study concludes with a discussion of the future development of green credit, emphasizing the importance of policy support, technological innovation, and international cooperation in driving the continued growth of sustainable finance. This forward-looking perspective highlights the potential of green credit to contribute to a broader economic transformation towards sustainability, underscoring its relevance not only for individual companies but for the global economy as a whole.

## 2. The Concept and Development of Green Credit

### 2.1. The Definition of Green Credit

Green credit is a financial mechanism aimed at promoting environmentally sustainable development by integrating environmental criteria into lending decisions. Zhu defines green credit as a system where financial institutions offer preferential loan terms to companies that adhere to specific environmental standards, thereby encouraging the adoption of greener practices and technologies [1]. Zhu's research, which combines quantitative analysis with case studies, indicates that companies utilizing green credit typically experience a reduction in financing costs by approximately 14.6%, alongside a noticeable decrease in their environmental impact. This dual advantage highlights green credit as a strategic tool that aligns financial incentives with sustainability objectives, making it easier for businesses to transition towards greener operations while also maintaining financial viability.

Liu et al. extend this definition by focusing on how green credit influences the financial structure of heavily polluting enterprises [2]. Their study, based on a panel data analysis of over 1,200 Chinese firms from 2008 to 2023, examines the effects of green credit policies on the asset-debt maturity mismatch within these industries. The findings suggest that green credit policies effectively reduce the asset-debt maturity mismatch by an average of 11.8%, primarily by encouraging firms to make long-term investments in environmentally sustainable projects. This adjustment not only promotes environmental responsibility but also enhances the financial stability of these firms, as the alignment of asset and debt maturities reduces the risk of financial distress.

### 2.2. The Development of Green Credit

The development of green credit has evolved in response to escalating global and national environmental challenges. Wang et al. investigate the progression and regulatory frameworks that have influenced the growth of green credit, particularly focusing on China's implementation of green

credit guidelines [3]. Their research employs econometric modeling and a longitudinal analysis of corporate behavior over a period spanning more than a decade. The study finds that the introduction of green credit guidelines has led to an approximately 23.7% decrease in the financialization of firms, with capital being redirected from speculative financial activities to investments in green technologies and sustainable infrastructure projects. This shift underscores the role of regulatory interventions in promoting the adoption of green credit and supporting the broader goal of sustainable economic development.

Wang and colleagues also highlight the critical role of government policies in fostering the development of green credit. The study reveals that in regions with stringent enforcement of green credit guidelines, the uptake of green financing products is higher, and there is a more significant shift in corporate investment behavior toward sustainability. For instance, in provinces with rigorous implementation of these guidelines, the adoption of green credit products among businesses was found to be about 19.3% higher than in regions with less strict enforcement. These findings suggest that the success and expansion of green credit are heavily dependent on the strength and clarity of regulatory frameworks, which can significantly influence corporate decision-making and drive the economic transition toward green growth.

### **2.3. The Mechanisms of Green Credit**

The mechanisms through which green credit functions are diverse, involving financial incentives as well as risk management strategies. Li and Tang explore how green credit mitigates risk, especially in heavily polluting industries [4]. Their research employs survival analysis techniques to assess the impact of green credit on the bankruptcy risk of firms, utilizing a dataset of over 900 companies operating in environmentally sensitive sectors. The study reveals that access to green credit reduces the probability of bankruptcy by approximately 18.9%, particularly for companies in industries with high environmental liabilities. This reduction is largely due to the lower financing costs and improved cash flow stability that green credit provides, enabling firms to invest in regulatory compliance and innovative green technologies without facing immediate financial pressures.

Li and Tang further discuss how green credit enhances corporate resilience by supporting investments in environmental upgrades [4]. Their findings indicate that firms with green credit access are better equipped to handle the financial challenges associated with stricter environmental regulations, reducing their exposure to fines and operational disruptions. The study reports that these companies are approximately 22.5% more likely to invest in proactive environmental measures, such as pollution control technologies and energy efficiency improvements, compared to those without such financing. This proactive approach not only reduces the likelihood of financial distress but also positions these firms more favorably in the eyes of regulators and investors, contributing to their long-term sustainability.

These mechanisms underscore green credit's role as more than just a financial tool; it is a comprehensive strategy that supports both environmental stewardship and economic resilience. By facilitating access to capital for environmentally responsible enterprises and promoting financial stability in high-risk industries, green credit helps to align corporate practices with broader societal goals of sustainability and environmental protection.

## **3. The Specific Impact of Green Credit on Corporate Development**

### **3.1. The Impact of Green Credit on Financing Costs**

Green credit significantly influences the financing costs of enterprises by providing favorable loan terms to those committed to environmentally sustainable practices. Huang and Xie demonstrate through their analysis that green credit policies result in a reduction of financing costs by an average of 10-15% for companies that adhere to environmental criteria [5]. This reduction is achieved by offering lower interest rates and better loan conditions to businesses that invest in green technologies,

which in turn lowers the overall cost of capital. This financial incentive not only supports the adoption of sustainable practices but also enhances the competitive edge of these companies in the market.

Gu et al. further investigate the impact of green credit on the financial risk profiles of heavily polluting enterprises [6]. Their empirical study, based on data from Chinese firms, reveals that access to green credit leads to a significant decrease in financial risk, which contributes to more favorable loan terms. This reduced financial risk is particularly important for enterprises operating in environmentally sensitive industries, as it not only lowers their financing costs but also enhances their long-term financial stability. The study highlights that green credit serves as a critical tool in reducing the cost of capital while simultaneously promoting environmental sustainability.

### **3.2. The Impact of Green Credit on Corporate Operating Performance**

Green credit has a profound impact on corporate operating performance, influencing profitability, market performance, and operational efficiency. Xu and Guo explore how green credit affects the financial outcomes of businesses by examining its role in stabilizing cash flows and reducing financial volatility [7]. Their research shows that companies benefiting from green credit are better positioned to undertake sustainable projects, which enhance their operational efficiency and market performance. By aligning financial incentives with environmental goals, green credit helps firms improve their profitability and strengthen their market position, particularly in sectors where sustainability is a key competitive factor.

#### **3.2.1 The Impact of Green Credit on Profitability and Market Performance**

The relationship between green credit and corporate profitability is particularly significant in industries where environmental sustainability is becoming increasingly important. Geng and Yu investigate how green credit influences the profitability and market performance of companies, especially those in heavily polluting sectors [8]. Their study reveals that firms receiving green credit experience improvements in profitability due to cost savings from energy-efficient technologies and waste reduction practices. These operational efficiencies, coupled with the enhanced market reputation from adopting green practices, lead to better market performance. Investors and consumers are increasingly favoring companies that demonstrate a strong commitment to environmental responsibility, resulting in higher stock valuations and greater market share for these firms.

#### **3.2.2 The Differential Impact of Green Credit on Enterprises of Various Sizes**

The impact of green credit on corporate performance varies significantly depending on the size of the enterprise. Liu and Wei explore this differential impact, noting that while large corporations are well-equipped to capitalize on green credit opportunities due to their access to resources and capital, smaller enterprises often face greater challenges [9]. Their research shows that smaller firms may struggle with the upfront costs associated with green technologies, which can limit their ability to fully benefit from the financial incentives provided by green credit. However, with targeted support, such as government subsidies or technical assistance, small and medium-sized enterprises (SMEs) can also improve their operational efficiency and market performance through green credit, though the benefits may accrue more gradually compared to their larger counterparts.

### **3.3. The Impact of Green Credit on Corporate Environmental Performance**

Green credit plays a crucial role in enhancing the environmental performance of enterprises, particularly those involved in industries with significant environmental impacts. Zhou and Wang provide a comprehensive analysis of how green credit influences corporate environmental practices, focusing on its application in rural and industrial enterprises [10]. Their study shows that green credit encourages companies to adopt more sustainable practices, such as pollution control technologies and energy-efficient processes, which result in significant reductions in environmental impact. By providing the financial means to invest in green technologies, green credit helps enterprises improve their compliance with environmental regulations and meet global sustainability standards. This improvement in environmental performance not only benefits the companies themselves but also

contributes to broader environmental goals, making green credit a vital tool in the transition to a more sustainable economy.

This body of research collectively underscores the pivotal role of green credit in shaping corporate behavior towards sustainability. By influencing financing costs, operational performance, and environmental practices, green credit serves as a powerful mechanism for promoting both economic and environmental objectives within the corporate sector.

## **4. Corporate Strategies in Response to Green Credit**

### **4.1. The Necessity of Green Transformation**

The increasing emphasis on environmental sustainability has made green transformation an imperative for enterprises, particularly in light of the growing influence of green credit policies. Green transformation involves the integration of environmental considerations into the core operations and strategies of a company, aiming to reduce its environmental footprint while enhancing long-term sustainability. According to Song and Hou, the necessity for green transformation is driven by both regulatory pressures and market demands [11]. Their study, which examines the impact of China's green credit policies on labor demand, provides evidence that green credit not only alters financial conditions but also reshapes labor markets by encouraging companies to adopt more sustainable practices. This shift is critical as it aligns corporate strategies with the broader goals of environmental protection and sustainable development, ensuring that companies remain competitive in an increasingly eco-conscious market.

Chen adds to this discussion by analyzing the effects of green credit on the allocation of financial resources and the total factor productivity of real economy enterprises [12]. The research highlights that green transformation is essential for optimizing resource use and improving productivity. By prioritizing environmentally friendly projects, companies can enhance their operational efficiency and reduce waste, which are key components of sustainable growth. Chen's study suggests that green credit policies help correct financial resource misallocation by directing capital towards projects with higher environmental and economic returns. This not only boosts the total factor productivity of enterprises but also contributes to the overall resilience of the economy. The necessity of green transformation, therefore, extends beyond compliance with environmental regulations; it is a strategic move that enhances a company's ability to thrive in a dynamic and increasingly green-focused economic landscape.

### **4.2. Measures to Improve Environmental Performance**

Improving environmental performance is a critical aspect of corporate strategy in response to green credit. The adoption of green credit obliges companies to enhance their environmental performance by investing in sustainable technologies, optimizing resource use, and reducing emissions. Luo et al. explore the role of digital finance in strengthening the internal drive for green financial development, providing evidence that digitalization can significantly boost a company's ability to meet green standards [13]. Their study reveals that digital financial tools enable better monitoring and management of environmental performance, allowing companies to track their progress in real-time and make necessary adjustments to their strategies. This is particularly important in industries where environmental compliance is complex and requires continuous monitoring and reporting.

Moreover, Luo et al. highlight that digital finance enhances transparency and accountability in environmental management [13]. By integrating digital technologies with green credit initiatives, companies can improve their data collection and reporting processes, which are crucial for meeting regulatory requirements and building trust with stakeholders. The study shows that companies that effectively leverage digital finance are better positioned to achieve higher environmental performance, as they can more easily identify areas for improvement and implement targeted interventions. This aligns with the broader goal of green credit, which is to incentivize companies to not only comply

with environmental regulations but to actively seek ways to exceed them, thereby driving continuous improvement in environmental performance.

### 4.3. Corporate Green Financing Strategies

Corporate financing strategies are central to effectively responding to green credit policies. Green credit requires companies to rethink their financing structures to align with sustainability goals, ensuring that their financial strategies support long-term environmental objectives.

#### 4.3.1 How Companies Optimize Green Financing Structures

Optimizing green financing structures involves aligning a company's financial strategy with its environmental objectives to maximize the benefits of green credit. Kong et al. investigate how green financial reforms impact the structure of corporate debt, particularly the influence on short-term debt and long-term investment strategies [14]. Their research indicates that companies that successfully optimize their green financing structures are those that reduce their reliance on short-term debt and instead secure long-term financing for green projects. This shift is crucial because long-term financing provides the stability and resources needed to invest in sustainable technologies and practices that deliver significant environmental benefits over time.

Kong et al. argue that optimizing green financing structures also involves diversifying funding sources to include green bonds, environmental impact bonds, and other forms of sustainable finance [14]. By broadening their financing options, companies can reduce the cost of capital associated with green investments and improve their financial flexibility. This is particularly important in industries with high capital expenditure requirements for green projects, such as energy, manufacturing, and infrastructure. The study suggests that companies that strategically manage their financing structures to prioritize long-term green investments are more likely to achieve sustained environmental and financial performance improvements.

#### 4.3.2 Financing Strategies Across Different Industries in Response to Green Credit

Different industries require tailored financing strategies to effectively respond to green credit policies, as the environmental impact and financial needs vary across sectors. Zhou et al. explore the relationship between bank competition and corporate green transformation, providing insights into how different industries approach green financing [15]. Their study highlights that industries with higher environmental impacts, such as energy and heavy manufacturing, tend to adopt more aggressive green financing strategies due to the greater regulatory scrutiny and public pressure they face. These industries often rely on a mix of traditional and innovative financial instruments, including green bonds, project financing, and government subsidies, to fund their green transformation initiatives.

In contrast, industries with lower environmental footprints, such as technology and services, may adopt more conservative green financing strategies. Zhou et al. note that these industries often prioritize flexibility in their financing structures, opting for short-term loans and revolving credit facilities that allow them to quickly adapt to changing environmental regulations and market conditions [15]. However, as green credit becomes more integrated into the financial system, even these industries are beginning to explore long-term green financing options to enhance their sustainability credentials and meet the growing expectations of stakeholders.

The study by Zhou et al. also suggests that the level of competition within the banking sector influences how industries approach green financing [15]. In markets with high levels of bank competition, companies have greater access to favorable loan terms and a wider range of green financial products, which encourages them to adopt more ambitious green financing strategies. This competitive dynamic is particularly beneficial for industries with significant environmental impacts, as it enables them to secure the necessary funding for large-scale green projects at competitive rates.

In summary, corporate strategies in response to green credit involve a comprehensive approach that includes green transformation, environmental performance improvement, and the optimization of green financing structures. The necessity for green transformation is underscored by regulatory

pressures and the need for sustainable growth, while digital finance plays a key role in enhancing environmental performance. Additionally, companies must carefully tailor their green financing strategies to align with industry-specific needs and market conditions, ensuring that their financial practices support long-term sustainability goals. These strategies are crucial for companies to not only comply with green credit policies but to thrive in an increasingly sustainability-driven global economy.

## 5. Conclusion

This study investigates the impact of green credit on corporate development, particularly focusing on how it affects financing costs, operational performance, and environmental outcomes. The research adopts a comprehensive approach by first exploring the conceptual and developmental aspects of green credit, followed by an analysis of its specific effects on corporate financial and environmental performance, and finally examining the strategic responses of companies to green credit policies. The findings indicate that green credit significantly reduces financing costs, enhances financial stability, and promotes sustainable practices within enterprises, particularly in high-polluting industries. Furthermore, companies that effectively leverage green credit are more likely to invest in green technologies and improve their environmental compliance, which in turn boosts their market competitiveness and long-term sustainability. The significance of this research lies in its ability to inform both policymakers and business leaders on the effective implementation and utilization of green credit to foster corporate sustainability. Future research could further explore the varying impacts of green credit across different industry sectors and the long-term effects of global green finance trends on corporate growth and sustainability.

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