

Exploring the development of green finance in China

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Abstract. With the continuous introduction and implementation of various standards for green finance, it will effectively promote and regulate the healthy and rapid development of green finance in China, and China's green finance will see the gradual unification of standards. The Chinese government has been committed to promoting the development of green finance. Green finance refers to supporting the development of environmental protection, energy conservation, clean energy, green transportation, green buildings and other fields through financial means, aiming to promote environmental protection and sustainable development.

Keywords: development; green finance.

1. Introduction

The development of green finance has become a national strategy and the government has actively promoted the development of green finance by introducing a series of policies and measures, including encouraging financial institutions to carry out green finance business, formulating green finance standards, promoting the issuance of green credit and green bonds, etc., and strengthening the regulation of green finance. As global awareness of environmental protection continues to rise and the demand for sustainable development grows, green finance will become an important direction for future financial development.

2. The concept and significance of green finance

Green finance mainly refers to the integration of the concept of environmental protection and green sustainable development into the financial assessment system, with more emphasis on environmental protection and green in the investment and financing aspects of financial institutions. It promotes environmental protection and governance, guides the efficient use of resources and promotes sustainable socio-economic development, etc. Through the development of green finance, it can help enterprises achieve sustainable development goals, reduce environmental risks and improve their reputation, while also attracting more capital and resources to the environmental protection field and promoting the development and application of environmental protection technologies.

3. The development history of green finance in China

The development of green finance in China can be traced back to the late 1980s, when the Chinese government began to focus on environmental protection and sustainable development issues. As the concept of environmental protection and sustainable development gradually gained popularity, the concept of green finance was also gradually introduced. On this basis, China's green finance industry has gone through the following stages of development.

Phase 1: The Start-up Phase (early 1990s to 2011)

At this stage, China's green finance mainly includes environmental credit from policy and commercial banks, medium and long-term environmental protection industry bonds and environmental protection funds. The government introduced a series of environmental protection policies and also encouraged financial institutions to support the development of the environmental protection industry. At this time, green finance was mainly policy-based finance, and the scale of green finance business of commercial banks was relatively small.

Phase 2: Development Phase (2012 to 2015)

At this stage, green finance in China began to enter a period of rapid development. The government introduced a series of policies to support green finance, such as the "Guidance on Accelerating the Development of Green Finance". At the same time, commercial banks also began to increase their investment in green finance. At this stage, the business scope and scale of green finance have expanded considerably, and green financial products such as green credit, green bonds and green funds have been widely used.

Phase 3: Normative phase (2016 to 2018)

At this stage, green finance in China has entered a phase of standardised development. The government has introduced a series of standards and regulations, such as the Green Bond Guide and the Green Finance Management Measures. At the same time, financial institutions also began to strengthen the management and supervision of green finance, enhance risk management and improve the transparency and sustainability of green finance. At this point, green finance has become an important part of China's financial sector.

Phase 4: Innovation and Development Phase (2019 to present)

At this stage, green finance in China has entered a phase of innovative development. The government has introduced a series of new policies to support the development of green finance, such as the Guidance on Further Strengthening the Construction of Green Finance. At the same time, financial institutions also began to strengthen their research and exploration of green financial innovation, such as exploring new green financial products such as green insurance and green trust. At this time, green finance has become an important area of innovation in China's financial industry.

With the support of government policies, the green finance industry has undergone a period of rapid development and has gradually become an important part of China's financial industry and an innovative area. In the future, as the concept of environmental protection and sustainable development continues to gain popularity, the development prospects of China's green finance industry will be even broader.

4. Analysis of the current situation of the green finance market in China

With the growing problem of global climate change and environmental pollution, the green finance market is developing rapidly worldwide. Green finance refers to financial activities in the financial sector that promote economic transformation and upgrading and environmental protection, with environmental protection and sustainable development as the core concepts and green industries as the main investment direction.

4.1. Increased policy support

China's government attaches great importance to the development of green finance and has increased its support for green finance at the policy level. In September 2016, China released the Green Financial Policy Framework and the Guide to Building a Green Financial System, which clarify the definition, development goals and policy support measures for green finance. In May 2017, the People's Bank of China and seven other ministries and commissions jointly released the Guiding Opinions", providing guidance and support for the development of green finance.

4.2. Year-on-year expansion of market size

The scale of China's green finance market has been expanding year by year. According to statistics, the scale of China's green bond issuance reached 465 billion yuan in 2019, an increase of 25.7% year-on-year; by the end of 2019, the balance of China's green loans had exceeded 10 trillion yuan. In addition, China has set up the Green Finance International Cooperation Centre and the Green Finance Research Centre to promote the healthy development of the green finance market.

4.3. Rapid development of the green bond market

Green bonds are bonds used by issuers to support or invest in green projects, and are an important part of the green financial market. China's green bond market is developing rapidly, and by the end of 2019, the total cumulative amount of green bonds issued in China had exceeded RMB1.2 trillion, accounting for more than 30% of the global green bond market. At the same time, China has also established a green bond assessment agency, which provides a guarantee for the healthy development of the green bond market.

4.4. Green credit market is maturing

Green credit refers to the loans provided by banks and other financial institutions to green projects, and is an important part of green finance. China's green credit market has gradually matured, and by the end of 2019, the balance of green loans in China had exceeded RMB10 trillion, including various forms of green credit, green insurance and green funds. At the same time, China has also established institutions such as the Green Finance Development Fund, which provides financial support for the healthy development of the green credit market.

4.5. The gradual emergence of a green insurance market

Green insurance refers to insurance products with environmental risks as the main object of insurance, and is an emerging area of green finance. China's green insurance market has gradually emerged, and by the end of 2019, China's green insurance premium income had exceeded RMB 10 billion. At the same time, China has also established institutions such as the Green Insurance Innovation and Development Fund, which provides financial support for the healthy development of the green insurance market.

The development of China's green finance market has been characterised by increased policy support, year-on-year expansion of the market scale, rapid development of the green bond market, gradual maturity of the green credit market and the gradual rise of the green insurance market. With China's economic transformation and upgrading and the increasing awareness of environmental protection, the development prospect of the green financial market is very broad.

5. Opportunities and challenges for the development of green finance in China

As the world's largest developing country, China has abundant green financial resources and huge market potential. Under the strategic goal of "green, low-carbon and sustainable development", the opportunities and challenges for the development of green finance in China have become increasingly prominent.

5.1. Opportunities

National policy support: The Chinese government attaches great importance to the development of green finance and has introduced a series of supporting policies. For example, in 2016, five ministries and commissions, including the National Development and Reform Commission, the China Securities Regulatory Commission, the Central Bank, the Banking Regulatory Commission and the Insurance Regulatory Commission, jointly issued the Guidance on Actively Promoting the Development of Green Finance, which clarifies the development direction and policy measures for green finance in China. In addition, documents such as the Measures for the Administration of Green Bonds and the Green Finance Pilot Policy have been issued to provide policy protection for the development of green finance.

Growing market demand: With the rapid development of China's economy and the improvement of people's living standards, the demand for environmental protection and sustainable development is also growing. Green finance, as a financial tool to support environmental protection and sustainable development, will receive more market demand. Especially under the "One Belt, One Road" initiative,

the demand for green finance will continue to grow in areas such as energy, transportation and water resources.

Technological innovation: As technology continues to advance, technological innovation in green finance is also accelerating. For example, the application of blockchain technology can improve the transparency and security of green finance; artificial intelligence technology can help financial institutions better assess risks and control costs; and big data technology can help green finance products target market demand more accurately.

International cooperation: China actively participates in global green financial cooperation and strengthens cooperation with international organisations and international financial institutions. For example, China has cooperated with the United Nations Environment Programme to jointly promote the international development of green finance, and signed a green finance cooperation agreement with the European Investment Bank to strengthen cooperation in areas such as green bonds.

5.2. Challenges

Imperfect standards system: The core of green finance is green standards, but at present China's green standards system is not perfect. There are differences between different standards and certification bodies, leading to problems with the quality and comparability of green financial products. In addition, the development and certification of green standards needs to be more scientific and standardised in order to better support the development of green finance.

Information asymmetry: Due to the relative newness and immaturity of the green finance market, the problem of information asymmetry in the market is more prominent. Investors have difficulties in obtaining accurate information and financial institutions have difficulties in assessing the risks of green financial products, both of which can constrain the development of green finance. To solve this problem, information transparency needs to be enhanced and a more complete information disclosure mechanism needs to be established.

Inadequate investor risk perception: The investment risk of green financial products is relatively high, but many investors lack the risk perception of green financial products. This can lead to investors blindly following the trend and investing in green financial products without adequate risk awareness. To solve this problem, investor education needs to be strengthened to improve investors' risk perception of green financial products.

Inadequate capacity of financial institutions: Financial institutions have relatively weak capacity and experience in the field of green finance. Financial institutions need to have the ability to design, evaluate and sell green financial products, but currently there are deficiencies in this area. To solve this problem, training and capacity building of financial institutions need to be strengthened to improve their professionalism in the field of green finance.

6. Conclusions

In the future, green finance will face many opportunities and challenges. As global climate change intensifies, environmental protection will become an even more important issue. Green finance will become an important part of the business of financial institutions and an important tool for governments to promote sustainable development. The development of green finance will also face many challenges. In addition, green finance requires a comprehensive consideration of the ecological environment, which requires expertise and experience and is gradually becoming an important part of finance. At the same time, green finance needs to focus on environmental protection and sustainable development, which will require governments and other institutions to work together to promote the development of society.

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