

Original Research Article

Development status, problems and suggestions of green credit in China*Muning Liu**School of Finance, Harbin University of Commerce, Harbin , Heilongjiang, 150028, China*

Abstract: Since the United Nations Environment Program proposed the financial initiative, the World Bank and other international financial organizations have issued environmental protection standards, financial institutions in the investment, can not only consider economic benefits, but also consider environmental factors, because of the expanding coverage of these environmental protection principles and standards, at present, the investment around the world need to put the ecological environment issues as the main consideration. This paper expounds the current status of green credit development, analyzes its existing problems, and puts forward the corresponding countermeasures.

Keywords: Green credit; Environmental protection; Sustainable development

1. Introduction

With the rapid economic development of our country, environmental problems are becoming more and more serious. The idea of “environment for economy” has a huge contradiction and conflict with sustainable development, and the production mode of high emission and high pollution seriously endangers human health. Therefore, how to solve the relationship between “ecology and economy” has been widely concerned by the international community, and the concept of environmental protection has become increasingly popular. Green credit is an important way to achieve sustainable development. At the national level, the promotion of green credit can not only promote China’s environmental protection work, but also bring huge environmental and social benefits, which is of great significance for promoting the transformation of economic growth mode, the optimization of economic structure and the construction of ecological civilization. From the perspective of enterprises, the implementation of green credit is in line

with China’s strategic policy, and with the support of the government, enterprises can transform their development mode and take the path of sustainable development. Therefore, from the perspective of our country’s actual situation, it is very necessary to carry out green credit.

2. The present situation of green credit in China

Green credit is a financial measure to effectively control the industries with high energy consumption, high emission and high pollution. At present, the proportion of green loans in China’s green financial system has exceeded 90%. After a series of policies and regulations on green credit have been issued, as well as relevant policies such as “Green credit” issued by the Bank and Insurance Regulatory, China’s green credit has entered a stable development period, with increasingly rich policy contents and clearer norms. At present, China has formed a relatively complete green credit system, and the credit limit has been gradually increased. According to Guotai Junan statistical report, after the introduction of the Green Credit Guidelines in 2012, the scale of China’s green credit has increased from 20 billion yuan in 2011 to 4 trillion yuan in 2012, achieving a leap in growth. From 2012 to 2020, green credit has maintained a steady development on the whole. In 2021, the amount of green

finance loans soared again, reaching 16 trillion yuan, a 30 percent increase over the same period, and continued to grow in subsequent years.

In recent years, China's green credit scale has been expanding, but its non-performing loan ratio is still at a low level compared with other loans in the same period, which also shows that the green credit supervision system has played an important role in this. With the rise of green credit, China's banking industry has introduced relevant systems, focusing on the "two high and left" and energy conservation and emission reduction related industries credit support. Commercial banks generally implement the principle of "one vote veto system for environmental protection", formulate corresponding green credit policies and norms, specify the direction and field of priority support, and actively carry out the research and development of green credit products. In the process of due diligence, credit approval and post-loan management, the banks have strengthened the control of environmental and social risks.

On the whole, with the promulgation of the national green credit policy and the corresponding regulations of various banks, the attention of all sectors of society to green credit is also increasing. However, in the process of promoting green credit, there are still many problems such as different standards, weak supervision and fuzzy concept. The overall green credit system is still being improved, and green credit as the core of the green financial system, its continuous improvement is of great significance to China's economic development.

3. There are problems in the development of green credit in China

3.1. The structure of green credit system is imperfect

At present, China's green credit system has been preliminarily established, but various systems and regulations still need to be improved. First of all, due to the lack of clear policy objectives, quantitative indicators and implementation paths, it is impossible to effectively integrate green credit into other policy systems and ensure the cooperation between the government, banks and enterprises, which will directly affect the implementation effect of national macro-control policies. Secondly, China's green credit products are not innovative enough, and the system is not perfect^[1]. At present, green credit products are mainly green insurance, green credit and green bonds, with few types, which can not meet the financing needs of various industries for green credit. Third, China's green credit management system is not effective. At present, although China has built a preliminary green credit management system, its operating efficiency is still not high enough to be generally applicable to all problems. Finally, the green credit risk management mechanism is not perfect.

3.2. Lack of unified normative standards

Although China's green credit policy has been put forward for many years, most of the documents only define the concept of green credit in a general way, and do not formulate standards according to specific environmental risk industries. At present, there is no unified standard for environmental risk assessment in our country, especially the credit information disclosure system for specific enterprises is not perfect. There is no clear standard definition^[2] of what kind of enterprises and what kind of credit policies should be adopted. In addition, as far as the actual situation in China is concerned, many enterprises still rely on private lending as their main financing channel. However, private lending is not a part of the formal financial system, and green credit is built on the formal financial system, so it is impossible to effectively manage enterprises that use private lending to cause environmental pollution.

3.3. Lack of green credit professionals

China's current green credit products are mostly developed on the basis of drawing lessons from foreign experience. Although the development of green credit has been advocated in recent years, there is a lack of specialized talents in green credit business. Because green credit involves many industries, complex technical means, rapid update and other characteristics, it is very difficult to carry out risk assessment and management, resulting in the lack of high-level financial talents in our country, has become a bottleneck restricting its development, green credit development road is still a long way. It is necessary to set up a green credit department, strengthen the training of professional talents, constantly study and improve green credit business, and promote the rapid development of green economy.

3.4. Green credit products have a single variety

In the face of increasingly fierce market competition and changing customer needs, major commercial banks should increase innovation in green credit products and constantly launch green credit products suitable for different consumer groups according to market demand. At present, although the scale of China's green credit continues to expand, its product types are relatively simple, and there is a lack of new green credit products such as pollution right mortgage, franchise right pledge, contract energy management future usufruct pledge, which restricts banks' demand for enterprises' diversified green financing. At the same time, although domestic commercial banks hold a large amount of green credit, they have not yet realized the asset securitization of green credit, and green credit asset securitization can alleviate the credit pressure of banks to a certain extent and improve the cash flow of banks.

4. Development suggestions

4.1. Improve the construction of green credit system

First, define the policy objectives of green credit and formulate a quantifiable indicator system to measure the effectiveness of its implementation. On this basis, it is necessary to strengthen the cooperation with other relevant departments, so that it can be organically integrated with various policies to better play the role of green credit. Second, a sound green credit system should be established. Improve the green credit system, and define the responsibilities and processes of different links in detail, so that governments at all levels and relevant departments of our country can better carry out green credit. At the same time, according to the actual situation, according to different industries, different regions, formulate the corresponding green credit products. Third, it is necessary to strengthen the implementation and

supervision of the policy and formulate the green credit policy in line with the national conditions of our country. In order to reduce the inefficiency and blind investment of enterprises in the process of green innovation, it is necessary to effectively identify and deal with the related green credit risks, so as to achieve the optimal allocation^[3] of enterprises' green innovation.

4.2. Develop a standardized management mechanism for green credit

At present, information published by some local environmental protection departments on corporate environmental violations lacks timeliness and pertinence, and cannot meet the specific requirements of banks for loan applications. Some companies hide the real situation as much as possible when they declare to seek the maximization of their own interests. In credit activities, the environmental risks taken by enterprises will bring

moral hazard to banks. At present, our country urgently needs to regulate the credit system, so that it can be clearly defined in the specific business. The green credit policy suitable for China's national conditions should be formulated to better serve the bank's loan examination and evaluation work. At the same time, it is necessary to strengthen the training of staff quality, establish a professional team of green loans, and carry out corresponding standardized management, so that the approval process is gradually standardized.

4.3. Cultivate green credit professionals

With its large scale, wide coverage and high degree of specialization, green credit is not only related to the financial market, but also has a close relationship with other industries such as environmental protection and energy, so it is necessary to accelerate the provision of comprehensive financial services that are fully needed for green enterprises and projects. In order to develop green credit, banks need professionals who are familiar with production and operation, energy conservation and environmental protection, to help review the information in the project financing process, put forward professional suggestions, and carry out post-loan management according to the risks existing in the production and operation process of enterprises, and put forward countermeasures. At present, domestic commercial banks should strengthen the training of green credit professionals, and can cooperate with environmental protection institutions to strengthen the training of relevant personnel. At the same time, through external cooperation and exchanges with top universities at home and abroad, high-quality green credit professional teams should be cultivated to provide impetus and guarantee for the development of green credit in the country.

4.4. Enrich green credit products

With the continuous deepening of green credit, China's commercial banks should actively carry out innovation in green credit products and strengthen their efforts in product services and business layout. For example, accelerate the development of green credit asset securitization, strengthen cooperation with green financial institutions, and carry out innovation in green credit products and services. Give full play to the role of green credit as a long-term and effective intangible asset to enhance cost-effectiveness. In addition, from the perspective of social responsibility, green credit is also a manifestation of banks' active commitment to social responsibility, which can effectively allocate green funds, promote enterprises' energy conservation and emission reduction, and maintain ecological balance. In the development, it is necessary to adhere to the principle of "combining economies of scale with environmental protection", adopt market-oriented management methods, supplemented by administrative measures, in order to solve the diversified financing needs of energy utilization and environmental protection, continue to innovate in areas such as water resource utilization and franchise, achieve product diversification, expand customer base, and improve financing capacity.

About the author

Liu Muning, female, 2000. May 31, Shangrao City, Jiangxi Province, Han Nationality, graduate student, School of Finance, Harbin University of Commerce, 2022, research direction of corporate finance and sustainable development.

References

- [1] Sutrisno S ,Widarjono A ,Hakim A .The Role of Green Credit in Bank Profitability and Stability: A Case Study on Green Banking in Indonesia[J].Risks,2024,12(12):198-198.

- [2] Jia H ,Li R ,Guo Y , et al.Research on corporate environmental investment behaviour driven by green credit policies[J].International Review of Financial Analysis,2025,97103800-103800.
- [3] Lin T ,Zhang L ,Xia D , et al.Towards a low-carbon economy: how does green credit affect carbon productivity?[J].Journal of Environmental Planning and Management,2025,68(2):309-337.