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The Commercial Bank Credit and Corporate Investment under the Background of "Double Carbon"

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Abstract

Reducing carbon emissions is essential for humanity's future survival and progress. In September 2020, at the United Nations General Assembly, President Xi Jinping pledged to the world that China would strive to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060. Commercial banks and enterprises are making corresponding efforts to achieve this "Double Carbon" goal.

Keywords: Carbon Peak; Carbon Neutrality; Commercial Banks; Corporate Investment.

1. Introduction

As global climate change is accelerating, we humans are facing greater challenges to survival and development. Many countries are actively promoting the reduction of carbon emissions in response to climate change. China has made a series of plans to reduce carbon emissions based on its reality. In September 2020, at the United Nations General Assembly, President Xi Jinping pledged to the world that China would strive to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060. To accomplish this "Double Carbon" goal, commercial banks and enterprises are making efforts. In April 2021, the People's Bank of China (PBOC) and the International

Monetary Fund (IMF) co-hosted a High-Level Seminar on Green Finance and Climate Policy, at which the PBOC declared that it would build a robust policy system, develop a diversified market system and strengthen international cooperation and to play a more active role in achieving carbon neutrality. Policy support from financial regulators will create a large green financial market, and this will provide tremendous opportunities to commercial banks. In the process of achieving the goal of "double carbon," in addition to providing enterprises with transaction settlements, fund clearing, and escrow services in carbon trading to form medium and long-term price expectations for carbon credit, more importantly, commercial banks will provide financial support for low-carbon transformations and encourage enterprises to actively carry out R&D and business activities relating to carbon emission reduction. To achieve this goal, commercial banks have optimized and upgraded their credit business and started low-carbon investment and financing program, introducing green credit, increasing capital investment in green and low-carbon industries, limiting credit exposure to high-carbon industries to compel high-carbon industries to transform and upgrade their business. At the same time, guided by the goals of "carbon peak" and "carbon neutralization," enterprises should develop a low-carbon and green circular economy by investing more in green projects. In particular, high-carbon enterprises should invest more in their transformation and upgrading, improve and upgrade their production and emission technologies, and finally use clean energy to reduce carbon emissions. Large enterprises, such as central and state-owned enterprises, are setting up "double carbon" management departments, actively participating in the construction of national laboratories in the field of energy-saving and emission reduction, intensifying efforts to develop strategic emerging industries and phase out outdated and inefficient production capacity, and encouraging the

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development of circular economy, by which they take the responsibility of saving energy and reducing carbon emissions. Although small and medium-sized enterprises (SMEs) inherently have small scale, small staff, and weak technology, their low-carbon transformation and upgrading process are proceeding in an orderly manner with the help of increased green special credit and continuous optimization of green financial services from commercial banks. In the future, as the program of "carbon peak" and "carbon neutrality" carry on, commercial banks will optimize their credit business and provide more financial support for the green transformation and upgrading of enterprises. At the same time, various enterprises are also investing more in technical support to reduce carbon emissions and increase investment in green and low-carbon projects.

2. Changes in Commercial Banks' Credit Business under the "Double Carbon" Goal

To achieve China's "double carbon" goal, commercial banks optimize their credit business, adjust their credit allocation to increase their support for enterprises to reduce carbon emissions and develop a green recycling economy. The changes in commercial banks' credit business are as follows.

1. More fund in green credit

Green credit refers to the financing support provided by commercial banks for green and low-carbon enterprises, enabling green and low-carbon enterprises to generate more significant ecological benefits. Green credit has already existed for a long time, but the scale of credit is small and its role was not evident for various reasons. After the "double carbon" goal was proposed, commercial banks have established their green credit platforms, detailed the critical environmental and social risk indicators of different industries, differentiated between "green" and "gray" assets, improved particular credit policies for green credit in crucial fields, and increased the investment in green credit. By the end of 2021, China's green credit balance reached RMB 15.9 trillion.

2. Reducing credit support for high-carbon emission enterprises

The top priority of reducing the carbon emissions of enterprises is to achieve the "double carbon" goal. After introducing the "double carbon" goal, commercial banks have strengthened their credit control on "high energy consumption and high pollution" enterprises. Commercial banks have prompted high-emission enterprises to transform and upgrade their technologies through high project threshold, high interest rates and limit of credit line. Since high-carbon enterprises are often in relatively mature industries with a good return on investment, a short investment cycle and lower investment risks, less credit to these enterprises will bring losses to commercial banks. Still, to achieve the goals of "carbon peaking" and "carbon neutrality," commercial banks will definitely take these necessary losses.

3. Increasing credit for SMEs that are in transformation

Small and medium enterprises (SMEs) are an

essential part of the national economy and play a vital role in China's social and economic activities. They are the primary forces in social and economic development, innovation, and tax contribution. Whether SMEs can successfully achieve low-carbon transformation not only affects process of China's "double carbon" goal but also determine sustainable development of SMEs

in the future. Although China has been encouraging commercial banks to increase credit for SMEs, commercial banks' support for SMEs was still insufficient. Their low-carbon transformation was slow due to various factors such as the high operational risks and poor profitability. After the "double carbon" target was put forward, some commercial banks were brave enough to take up their historical responsibility, actively carrying out business innovation, improving green financial services for MSMEs, and provide more credit support for SMEs in their transformation and upgrading. By 2020, the number of SMEs with loan balances in commercial banks in China had reached 25.73 million.

3. How the changes in bank credit business affect corporate investments.

The adjustment of commercial banks' credit business does affect enterprises' production and operation activities. Also, it promotes the transformation and adjustment of enterprises' future production and operation activities. Now more and more enterprises actively carry out investments in low-carbon technologies and projects based on their reality.

1. Increase of investment in low-carbon projects

To achieve the goal of "double carbon," commercial banks have increased their investment in green credit. To obtain such preferential credit and at the same time fulfill the obligation to reduce carbon emissions, more and more enterprises have focused their business to low-carbon projects. These low-carbon projects include designing low-carbon products, implementing energy efficiency projects, developing and marketing carbon-neutral products, using renewable energy and restructuring traditional businesses.

2. Increase of investments in low-carbon technologies

To radically reduce carbon emissions, we must start from the production process of enterprises. Commercial banks increase credit financing support for green and low-carbon enterprises and implement more credit restrictions on "high energy consumption and high pollution" enterprises, forcing high-carbon enterprises to utilize low-carbon technologies. By investing more in developing carbon capture and storage technology, energy storage technology, zero-emission technology, advanced decarbonization technology, digital technology, artificial intelligence technology, etc., high-carbon enterprises hope to upgrade traditional production and operation mode and finally reduce their carbon emissions.

3. Increase of investment in environmental protection.

Environment plays a vital role in carbon neutrality, and the green plants in nature can absorb the carbon emitted by enterprises in the process of production. Enterprises will inevitably cause damage to the natural environment in the production process. While, for a long time, some enterprises lack of awareness of

environment protection, environment in some places is seriously damaged and difficult to recover. After the "double carbon" goal was proposed, commercial banks will examine how well enterprises fulfill their environmental responsibility and then decide their credit line. For enterprises with an excellent job in environmental protection will be allowed more credit, and enterprises with low ratings in environmental protection will be difficult and even refused for credit from banks. Under such a credit environment, enterprises have increased their investment in environmental protection and restoration.

4. Conclusion and Suggestions

By analyzing the changes in commercial banks' credit business and enterprises' investment activities under the "double carbon" goal, this paper has come to the following conclusions.

To achieve the "double carbon" goal, commercial banks have adjusted their credit business, increased their investment in green credit, reduced the credit support to high-carbon emission enterprises, and provided more credit funds to SMEs in transformation. Influenced by the changes in commercial banks' credit business, various enterprises have adjusted their investment activities to obtain better credit funds and have increased their investment in upgrading low-carbon projects and low-carbon technologies in environmental protection. In this way they are striving to achieve low-carbon transformation in their production and operation activities.

In future there is still a long way to go to achieve the goal of "double carbon," and there is still a lot of room for commercial banks and enterprises to make efforts to reduce carbon emissions.

1. Commercial banks should guide enterprises in low-carbon transformation, establish a more perfect credit platform, collect more relevant business information about enterprises, and provide credit funds to low-carbon enterprises and high-carbon transformation enterprises more precisely.
More than above, commercial banks should innovate their business. In addition to all kinds of green credit products such as traditional project financing and syndicated loan, commercial banks can also continuously provide customers with green bonds, green trust, green fund and other financing services through non-credit means.
2. Enterprises should continue to increase investment in green projects, further promote the R&D in low-carbon technologies, and strengthen cooperation with universities and research institutes, striving to invest more funds to enterprises for low-carbon technology. They should make deep research in "carbon peak" and "carbon neutrality" so that low carbon development and environmental protection could be their business philosophy and not a momentary reaction to national policies. They should formulate low-carbon development strategies and make better use of bank funds to achieve low-carbon production and operation, so as to achieve sustainable development.
3. To truly improve the efficiency of the use of low-carbon credit funds, commercial banks should not only

strengthen the monitoring of the use of funds but also help enterprises to conduct feasibility study in advance and later evaluation of projects, solve the difficulties encountered in the process of project implementation. Enterprises should take into account of the reality of business operation and their future development strategy, screen and implement the right projects to ensure the economic interests of their own and social interests. Only in this way can enterprises adapt to the requirements of low-carbon economy and the whole country achieve the "Double Carbon" goal.

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