

Research on Green Credit Business of Industrial and Commercial Bank of China

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Abstract: After the reform and opening up, China's economy continued to grow rapidly for many years, and successfully achieved the first centenary goal of building a moderately prosperous society in all respects. In order to achieve the goal of sustainable development, China has put forward the strategic goal of carbon peak and carbon neutrality, which has strengthened the determination of our economy to take the road of green and sustainable development. The development of green economy cannot be separated from the support of green finance. Green credit is the core of green credit business, which is an important measure to achieve sustainable social development and financial support for the real economy. This paper takes Industrial and Commercial Bank of China as the research object, deeply analyzes the development status, advantages and existing problems of its green credit business, and further puts forward corresponding countermeasures. Finally, the paper summarizes the enlightenment from the development of Industrial and Commercial Bank of China's green credit business, and provides some references for further research in the future.

Keywords: Green Credit; Carbon Peaks; Carbon Neutral; Green Finance; Industrial and Commercial Bank of China

1. Introduction

Since the reform and opening up, China's economic development has reached a new stage, and a lot of achievements have been made, but at the same time of rapid economic development, the problems brought by the environment have also become increasingly prominent. Many enterprises with high energy consumption and high pollution do not pay attention to environmental protection, resulting in a serious shortage of resources and other

problems, which deeply affects the future economic development of our country. In September 2020, with the landing of China's "double carbon" strategy, the relevant system of green credit has been further improved, and the importance of building a green financial system has gradually come to light.

Under this background, China's commercial banks have taken actions to meet opportunities, face challenges, while assuming social responsibility, and constantly seek new profit growth points. This paper takes the Industrial and Commercial Bank of China, one of the earliest state-owned commercial banks supporting the development of green credit, as the object, and uses the method of comparative analysis to compare the internal green credit of Industrial and Commercial Bank of China with the green credit of the same industry. On this basis, the paper further studies and discusses the green credit related business of ICBC, and makes an in-depth analysis of its green credit business cases and current situation, and further discusses the success and shortcomings of its green credit, so as to provide new suggestions for its future development [1].

As one of the six state-owned banks, Industrial and Commercial Bank of China, the study of its green credit business is undoubtedly helpful to the development of green finance in China's entire financial system, and its research results can also provide theoretical support and decision-making reference for the government to issue green credit-related policies and commercial banks to carry out green credit business innovation and development.

2. Green Credit Connotation and Related Theories

2.1 The Connotation of Green Credit

The emergence of green credit refers to the fact that banks and other financial institutions provide preferential low loan interest rates when granting loans to energy-saving,

environmental protection and eco-friendly enterprises, providing differentiated financial support for different types of enterprises. It is to deal with the relationship between environment and economic development. Its main performance is to finance the green industry and those projects that are beneficial to environmental development, so as to build a new financial system and improve the relationship between economic development and environment through green credit. The introduction of the green credit policy makes the financial industry pay closer attention to the environmental protection industry and the ecological environmental protection industry, pay attention to the long-term development of human beings, and use the future benign ecological and economic environment to feed the overall development of the financial industry, forming a virtuous circle of the financial industry [2].

2.2 Green Credit Related Theories

2.2.1 Corporate social responsibility theory and its application

Corporate social responsibility believes that in the process of creating profits, enterprises should shoulder the responsibility to protect the environment. It is undesirable for many enterprises to consume future environmental resources for short-term economic benefits. All enterprises need to change the traditional concept of profit as the only goal, put the focus of development on the contribution to the environment, and do a good job in environmental protection while developing themselves. Major enterprises reduce environmental pollution through technological innovation, and at the same time, they can reduce energy consumption, save resources, reduce production costs, and make enterprises more competitive.

Although commercial banks are different from enterprises, they take money as their business object and play a very important role in the operation of the national economy, which also requires enterprises to take the initiative to fulfill their corporate social responsibilities. Although it is inevitable that commercial banks will increase their operating costs when they fulfill their corporate social responsibilities, it is conducive to enhancing the social credibility of commercial banks, increasing their market share and making them

more competitive.

2.2.2 Sustainable development theory and its application

Sustainable development is one of the basic requirements of the scientific concept of development, which denies the traditional barbaric production mode and advocates that "the use of today should not reduce the actual income in the future", in other words, it cannot consume the future resources in advance, and should ensure the sustainable development of the entire environment.

As the main force of the entire financial system, commercial banks can regulate the flow of funds to allow more funds to flow into the environmental protection work of enterprises. In addition, it is necessary to restrain the blind expansion of individual enterprises, promote the development of key areas of environmental protection, and promote the balanced development of economy and nature. Green credit is a powerful tool for promoting sustainable development and optimizing the allocation of social resources. Sustainable development of finance is conducive to the realization of overall sustainable development.

2.2.3 Equator principle theory and its application

In 2002, the Equator Principles were proposed. It requires financial institutions to conduct a comprehensive environmental impact assessment when providing loans or investments to businesses, and only provide loans or investment assistance to businesses that meet the criteria [3].

The significance of the Equator Principle is that for the first time, the originally vague environmental component of corporate project finance has become more symbolic, so that it has more clear criteria, and provides a direction for the evaluation of corporate projects and the environment. The emergence of the Equator principle improves the moral level of the whole banking industry, which is conducive to the formation of a virtuous circle. For society, the Equator principles organically combine economic development with environmental sustainability, and achieve true harmony between man and nature.

3. Current Situation of Green Credit Business of Industrial and Commercial Bank of China

3.1 Development of Green Credit in Industrial and Commercial Bank of China

Since the reform and opening up, China's economy has been developing rapidly at the same time, environmental problems have also followed, which seriously affected the future economic development of our country. In order to solve the contradiction between the environment and economic development, the government began to change the idea of economic development, environmental protection and economic development organic combination. In recent years, major financial regulatory departments have frequently talked about the future development of green credit, and the CBRC and the Central bank are focusing on improving the related work of green credit. Under the guidance of the "double carbon" strategy, major commercial banks have increased their investment in green credit funds, and the balance of green credit of many state-owned banks has exceeded the trillion mark. State-owned commercial banks are using their actions to lead financial institutions to empower green finance and promote the transformation and upgrading of the entire financial industry to high-quality green finance. In 2022, with the support of state-owned banks and share banks in the policy, the scale of green credit is expected to achieve further expansion. In other words, the state attaches great importance to the development and growth of green finance. As the main force of green finance, it is necessary to further develop green credit [4].

From 2007 to 2010, Industrial and Commercial Bank of China was in the exploratory stage of green credit, which can be said to be the stage of crossing the river by crossing the stone. With the introduction of various green credit policies, ICBC formulated the relevant policies of green credit for the first time in the domestic industry in 2007, and made every effort to withdraw from the loan projects of polluting industries such as "two, one and one". Promote the development of green credit in our country. Not only that, ICBC's environmental protection access standard mechanism and "environmental one-vote veto system" are leading in the whole industry, providing a good blueprint for the development of green credit in the industry. In 2010, the Industrial and Commercial Bank of

China also formulated the "Suggestions on Strengthening Green Credit Work", which made the inspection process of relevant enterprises in the financial industry more standardized, and strengthened the management and use of credit funds for polluting enterprises [5].

From 2011 to 2015, ICBC had a certain understanding of green credit, and its green credit business gradually stepped on the fast track. In 2011, ICBC issued the "Green Credit Construction Implementation Outline", which clearly proposed that ICBC should build a domestic leading and international first-class green finance system, and take the development of green finance as its long-term goal. It can be seen that green credit is no longer an individual, but integrated into the green finance system. In 2013, the "Industrial (green) Credit Policy" was put forward, which further improved the development of green credit. In 2015, ICBC formulated the first "Green Credit Development Strategy" in the whole industry, which further clarified that green credit is the future development goal of ICBC, and enabled the green credit business of ICBC to enter a stage of rapid development.

Since 2016, it has been a stage of seeking progress in the steady development of green credit. In the past few years, ICBC has successively launched a series of green credit work plans and set its sights on a higher level of green finance. At the beginning of 2021, the Industrial and Commercial Bank of China issued the "2021-2023 Development Strategic Plan", which mentioned the objectives, paths and tools of the construction of the green financial system of the Industrial and Commercial Bank of China in the next three years, and green credit is a major part of it.

3.2 Industrial and Commercial Bank of China Green Credit Business Development Advantages

3.2.1 National policy support

The reason why ICBC's green credit business can stand out among many commercial banks is inseparable from the support of national policies. From 2021 to 2022, the CBRC will respond to the "14th Five-Year Plan" call for environmental protection, release more intensive policy signals for green finance, and accelerate the improvement of the institutional framework of the financial regulatory sector,

in order to complete the green transformation of the bank. The Industrial and Commercial Bank of China actively implements the relevant national policies, strengthens the management of "two high and one high" industries, strengthens the research of related industries, improves the credit policy of industries with excess capacity, implements the management of industry quotas, and strictly approves credit granting [6].

3.2.2 The perfection of its own credit system

In order to better implement green credit, it is necessary to understand the relevant policies of green credit from the inside out. The Industrial and Commercial Bank of China (ICBC) does this: First of all, to ensure the implementation of green credit policies by making staff understand and master the implementation process of green credit, and to incorporate compliance indicators such as green credit into the performance assessment of employees to enhance their environmental awareness. Icnc has repeatedly organized customer managers and related personnel to learn the green credit policy of the industry, adhere to the "best of the best", strict access standards, detailed various work processes of green credit, and effectively standardized business operations.

Secondly, for loan enterprises, due to the proposal of green credit, the credit threshold of Industrial and Commercial Bank of China for enterprises will be much higher than before. In the process of green credit development, ICBC has introduced a series of relevant systems, including the implementation of the "one vote veto system for environmental protection" and the establishment of a green credit tracking system.

3.2.3 Adhere to the high-quality credit market leading strategy

The Industrial and Commercial Bank of China adheres to the leading strategy of quality credit market, and regards quality loan marketing as the basis for expanding various businesses. In strict accordance with the relevant requirements of the green credit policy, ICBC will not grant loans to industries with high energy consumption, low efficiency and high pollution and enterprises that fail to meet environmental protection standards. The credit system shall be strictly controlled for customers who fail to meet environmental protection standards and those who consume

high energy. The Industrial and Commercial Bank of China's green credit policy orientation has formed a good demonstration effect in the industry, and has made a great contribution to curbing more excess capacity expansion [7].

3.2.4 Make full use of information technology, perfect information database

The Industrial and Commercial Bank of China gives full play to the role of information technology in the development of green credit, establishes a customer green information database, and classifies customers into four categories: the fourth category is environmentally friendly enterprises, the third category is qualified enterprises, the second category is enterprises that enter the observation area and the first category is enterprises that need to make timely rectification. In addition, ICBC has also established a smooth communication mechanism with the State Environmental Protection Administration for regular communication to eliminate environmental risks of credit funds in a timely manner [8].

3.2.5 Asset quality optimization

Relevant data show that since the country officially put forward the concept of green credit in 2007, the non-performing loan ratio of ICBC can be said to be "rapid" decline. From 2007 to 2012, the non-performing loan ratio of the Industrial and Commercial Bank of China was almost in a straight line decline, and the non-performing loan ratio decreased by 69%, which fully shows that the relevant systems introduced by the Industrial and Commercial Bank of China in response to the call of the national green credit are very effective, making the asset quality of the Industrial and Commercial Bank of China improve all the way in just six years. Since 2017, the non-performing loan ratio began to decline, and in the later period, the non-performing loan ratio of Industrial and Commercial Bank of China gradually stabilized and remained in a stable range. In general, compared with before the introduction of green credit, the non-performing loan ratio of ICBC has dropped a lot. However, under the influence of the epidemic in recent years, despite the downward pressure of the economy, the non-performing loan ratio of ICBC has remained at a relatively low level, which is sufficient to show that green credit has played an important role and the asset quality of

ICBC is high. And has a strong ability to resist risks.

4. Problems in the Development of Green Credit in Industrial and Commercial Bank of China

4.1 The Internal Impetus for the Development of Green Credit is Insufficient

So far, the Industrial and Commercial Bank of China has not set up a dedicated department related to green credit, but only the financial department is responsible for green credit related business, and the impact of environmental risks has not been included in the bank's key risks. Not only that, the concept of green credit is not deeply rooted in people's hearts, and the implementation of green credit is still superficial, and ICBC has not yet formed an efficient service system [9].

4.2 The Development of Green Credit is Uneven

First of all, the development of social strata is unbalanced. Although ICBC has done a good job in the operation of green finance, it is limited to the head office and provincial branches, and there is still a lack of local branches, many branches have not even fully carried out green credit related business. Secondly, there is the imbalance of regional development. Icbe's green finance coverage is still relatively narrow, the development of green credit is mainly concentrated in the Yangtze River Delta, Pearl River Delta and other economically developed regions, some inland cities or economically underdeveloped areas, the development of green credit is still very insufficient. Finally, the industry's own green product development imbalance. Industrial and Commercial Bank of China in the environmental protection, clean energy, energy conservation industry and other aspects of the loan investment is large, but there are still some areas that are not considered in the scope of ICBC, for example, air pollution prevention and control, cross-regional environmental governance and other aspects, ICBC is still lack of large-scale investment in these aspects.

4.3 The Disclosure of Social Responsibility Report is not Comprehensive

With the continuous progress of society,

people's awareness of environmental protection has been enhanced, and they have paid more attention to green credit, which has produced higher standards and requirements for green credit information disclosure. However, the willingness of ICBC to disclose its own information is not strong, there is a relatively obvious problem of selective disclosure, the disclosure of green credit is not detailed enough; Moreover, the financial management department of the Industrial and Commercial Bank of China lacks relevant rules and regulations on information disclosure in the field of green credit, and many enterprises cannot find the relevant green credit information of the Industrial and Commercial Bank of China in the public information, but can only learn through door-to-door consultation, which greatly hindering the promotion of green credit. Moreover, ICBC's data disclosure on the whereabouts of green credit funds is not transparent enough. Icbe should focus on improving its internal control management and information disclosure.

4.4 The Pool of Professional Personnel is Insufficient

Green credit, as a business that combines environmental protection and bank loans, not only needs talents in finance, but also needs interdisciplinary talents with environmental science knowledge. In the current environment, the demand for such talents is greater than the number of talents. At present, ICBC's training of credit personnel is still based on traditional credit, and there are few composite talents who can master both financial loan knowledge and environmental science knowledge, resulting in the homogeneity of green credit projects, which are concentrated in certain industries and rarely issue loans to emerging technology enterprises. Moreover, the marketing personnel do not understand the relevant laws and policies of environmental protection, which is not conducive to the in-depth development of daily marketing work, and limits the development of Industrial and Commercial Bank of China's green credit.

5. Measures to Improve the Implementation Effect of Green Credit in Industrial and Commercial Bank of China

5.1 Establish a Tripartite Green Credit Platform for Banks, Key Enterprises and the Environmental Protection Bureau

As the bank with the best green credit development among the six state-owned banks, ICBC should give full play to its leading role and establish a top-down tripartite green credit development platform with its existing resources and enterprises and the Environmental Protection Bureau. Key enterprises can sign cooperation agreements with banks and the Environmental Protection Bureau through the platform, and they can enjoy the preferential policies of the bank in terms of green credit at the first time, but at the same time, enterprises should also regularly disclose the cost and performance of green credit business through the platform, so as to facilitate the bank to understand the relevant information at the first time. The bank can communicate with the Environmental Protection Bureau in the first time through the platform, timely understand whether the loan enterprises meet the national green indicators, punish those who do not meet, and give more preferential credit support to the enterprises with good performance; The Environmental Protection Bureau can use the platform to understand what loan enterprises are and carry out key environmental supervision on them. The establishment of this platform will help the bank to build an efficient green service system and form a relatively complete corporate environmental supervision mechanism, which will be of great help to the subsequent development of the bank.

5.2 Balance the Development of Green Credit

The Industrial and Commercial Bank of China should promote the development of green credit in different regions according to the resource structure and development needs of various regions. It should also increase the implementation of green loans to developed regions, less developed regions and regions with obvious ecological and environmental advantages, and promote the transformation and upgrading of green industries in these regions. Increase credit support for hydropower, wind power, photovoltaic and other clean energy to achieve balanced development in the region. In the face of its own unbalanced development of green

products, ICBC should increase investment in industrial loans such as environmental protection, clean energy and energy-saving industries, and also take into account capital investment in air pollution prevention and control and cross-regional environmental governance, so as to promote ICBC to shine in all aspects of green development.

5.3 Enhance Information Disclosure

The Industrial and Commercial Bank of China should implement the national "double carbon" strategy, and at the same time publish the social responsibility report every year, the information disclosure should be closer to the public's demand for information disclosure, and should not disclose only part of the information in its own way, resulting in insufficient understanding of the bank's green credit development. Icbc should closely follow the requirements of the national regulatory level when disclosing information and clarify what it wants to disclose. The bank's active disclosure is conducive to better discovering its own problems, and better accepting the supervision of the public, which provides more possibilities for the subsequent development of ICBC [10].

5.4 Cultivate Relevant Professional Talents

The Industrial and Commercial Bank of China should strengthen the training of professional staff, abandon the traditional credit training model, and add environmental protection knowledge into the daily credit business training. Strengthen the environmental protection awareness of bank staff, make staff familiar with the relevant laws of environmental protection, improve their environmental risk assessment ability, so as to further understand the operation mode of green credit. This will help the bank to provide professional advice on the development of green credit, and better help ICBC to review relevant green loan projects to reduce the environmental risks brought by corporate loans to the bank.

6. Conclusions

This paper takes Industrial and Commercial Bank of China as the object, and makes a case study of its green credit business. Under the background of the country's transformation of economic development mode and

strengthening of resource conservation and environmental protection, ICBC has vigorously carried out green credit business, mainly adopting measures such as formulating development target planning, launching green credit products with distinctive characteristics, formulating effective environmental and social risk management system, and carrying out theoretical and policy research on green credit business. Through this study, we can summarize the experience of ICBC in the development of green credit.

6.1 Build a Green Financial Service System

Through the analysis of the green credit business of Industrial and Commercial Bank of China, the development of green credit of commercial banks is not only to increase the capital investment of enterprises, but more importantly, commercial banks should give play to the advantages of financial technology and comprehensive finance. Major commercial banks should effectively combine green finance with customer base services, constantly upgrade their own green financial service system, and focus on the "double carbon" strategy to build their own service brands.

6.2 Green Finance is Still in Its Infancy

The transformation of the whole financial industry to the green industry is a long-term and lengthy process. The current scale and growth rate of the green industry in China are very impressive, but there are still some problems in the investment and financing of the green industry. Major commercial banks should seize this opportunity, give play to their own advantages, further develop and improve their own green credit business, in order to seize the market and enhance their brand awareness.

6.3 The Application and Approval Process will be Simplified and Publicity will be Intensified

At present, the relevant approval process of many commercial banks in green credit business is still rather cumbersome, and many enterprises that originally wanted to apply for relevant credit projects have stopped at the application stage due to these cumbersome processes. Major commercial banks should simplify the application process of green credit,

optimize their own green credit structure, and publicize their green credit business through simplifying the approval process, so as to enhance their brand awareness.

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