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"Gheorghe Asachi" Technical University of Iasi, Romania

HOW GREEN CREDIT GUIDELINES POLICY AFFECT THE GREEN INNOVATION IN CHINA?

Lifeng Chen[1], Yiwei Wang[2], Shanyue Jin[3*]

[1]School of Business, Zhejiang University City College, Hangzhou, 310015, China
[2] School of Accountancy, Henan University of Engineering, Zhengzhou, 451191, China
[3]College of Business, Gachon University, Seongnam, 13120, Korea

Abstract

Environmental degradation and global warming have raised widespread concerns on corporate environmental issues in last decade. A high level of uncertainty in economy and policy plagues China's environmental indicator, social commitment, and corporate governance (ESG). This study employed 17033 panel data from 2010 to 2019 to conduct empirical research on green credit policy, green innovation, financial performance, and ESG performance. Our regression results of ESG factors model showed that although Green Credit Guidelines (GCG) policy failed to promote green innovation and environmental impact of green enterprises, it could improve the financial performance of green enterprises. Through the combined approach of the difference-in-difference (DID) regression and fixed effect (FE) models, we also found the intervening influence of green innovation and financial performance within the relationship of GCG and ESG scores. Green companies benefit more from green policy. However, GCG is far from meeting the expectation of improving ESG performance through green innovation. Additionally, in order to explore the interactions between individual dimensions of ESG indicators, Kernel balance test and two-step Generalized Method of Moments (GMM) system were applied in a dynamic panel to further investigate our model. This paper expands the current researches on green credit policies from perspectives of green innovation and ESG indicators, providing new policy enlightenment based on empirical results.

Key words: EE and Res, environmental regulation, ESG performance, financial performance, green credit policy, green finance, green innovation

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[*]Author to whom all correspondence should be addressed: e-mail: jsyrena0923@gachon.ac.kr; Tel: 82-31-750-5757; Fax: 82-31-750-5152