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## IMPACTS OF NEW MONETARY POLICY TOOLS, BOND CREDIT SPREADS ON CORPORATES GREEN INNOVATION AND SUSTAINABILITY

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### Abstract

Using the policy event of green bonds being included in the Medium-term Lending Facility (MLF) eligible collateral framework in June 2018 as a quasi-natural experiment, this paper analyses the impact of the expansion of the collateral framework of a new type of monetary policy on the credit spreads of green bonds and the green innovation (GI) output of firms that issue green bonds, based on two-period and multi-period double-difference models. It was found that the collateral expansion policy significantly reduces the credit spread of green bonds and improves the level of GI of bond issuers. The policy effect mainly increases the number of green innovations (GIs) and has no promoting effect on the quality of GI, and has a long-term impact on GI. The policy of green financial reform pilot area can strengthen the incremental effect of expansion policy on the number of GIs. In the mechanism analysis, the expansion policy promotes GI by reducing financing costs and improving financing credit. Further, low economic uncertainty and high level of local scientific and technological innovation will help to enhance the role of expansion policies in promoting GI; at the same time, enterprises in the growth stage will choose to reduce the quality of GI, while enterprises in the mature stage will choose to increase the number of GIs. Therefore, under the gradual promotion of the market-oriented GI system, the implementation of the expansion policy of monetary policy tools can more accurately reach the weak areas and help achieve high-quality economic development.

*Key words:* green bonds, green innovation (GI), guarantee framework expansion, lifting quality increment

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