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## **GREEN CREDIT POLICY AND THE GROWTH OF HEAVILY POLLUTING FIRMS**

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### **Abstract**

In this paper we examine the internal logic behind the impact of Green Credit Guidelines (GCG) on the growth of heavily polluting firms (HPFs) and investigate the relationship between GCG and the growth of HPFs using data from China's listed enterprises spanning from 2007 to 2021. Our regression analysis reveals that GCG significantly inhibits the growth of HPFs, with debt costs acting as a mediating factor in this relationship. Specifically, we find that GCG curtail the growth of HPFs by increasing their debt costs. Additionally, our findings indicate that the negative impact of GCG on the growth of HPFs is less pronounced for enterprises located in regions with higher levels of financial development and for those with a higher degree of green innovation.

*Key words:* debt cost, difference-in-differences, green credit policies, heavily polluting firms

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