

Construction of Innovation Path of Green Finance System in China

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Abstract: At present, the green finance system of our country is in the preliminary exploration stage, the market supply and demand imbalance, lack of development impetus and other phenomena are becoming more and more prominent. This paper analyzes the problems facing the development of the green financial system in China, Then, the policy innovation, financial organization innovation, product innovation, science and technology innovation and other four aspects of the all-round exploration of China's green financial system development and innovation path provide a basis for the sustainable development of the green financial system.

1. Characteristics of China's Green Financial System

1.1 Top Level Design of China's Green Financial System.

The development model of green finance in our country is different from that in developed countries. The domestic green finance system mainly emphasizes the government's dominance and the mandatory transformation, while the Western countries attach importance to the power of market mechanism. The degree of development of China's green financial system determines the depth of the green transformation of the economy. Unlike developed countries, China's green financial system has a weak foundation and its extensive economic development model has brought a huge burden on the green transition of the economy. Therefore, In the early stages of the development of the domestic green financial system, emphasis should be placed on changing the model of extensive economic development, and gradually improving the green investment consciousness of financial institutions or enterprises by imposing pollution penalties and improving the environment, so as to restrain destructive and polluting economic development patterns. The negative externality of pollution will be converted into the cost of enterprise financing, and the funds will be transferred from grey and highly polluting projects to green economy projects, so as to achieve the purpose of transforming from extensive economic development to "light green" economy.

1.2 The central government has effectively promoted the organic combination of positive innovation with local governments.

China's "top-down" green financial system is not merely a one-way push from top to bottom, but an organic combination of the central government's effective promotion and local positive innovation. In June 2017, the People's Bank of China, the Development and Reform Commission, the Ministry of Finance and other seven ministries and commissions issued the "Overall Plan for the Construction of Green Finance Reform and Innovation Experimental Zones" for five provinces (districts). We decided to build pilot areas for green finance reform in five provinces (and regions) of Zhejiang, Jiangxi, Guangdong, Guizhou and Xinjiang. The five major pilot areas have taken the initiative to issue implementation plans and action plans for green finance, and actively explore the development model and path of green finance. Each has its own focus and characteristics. For example, in exploring the green financial system, Huzhou City established the first environmental information disclosure test point financial institution and China's first green franchise branch, and pioneered the "insurance + service + supervision + credit" model in China. Luzhou City focuses on the green transformation of traditional industries. It has taken the lead in linking the index of competitive deposit and deposit of financial funds with the bank's green credit business, pioneered comprehensive insurance for safe production and environmental pollution, and established a green industry guidance fund.

2. Challenges Facing the Development of China's Green Financial System

Although China's green financial system has remarkable characteristics, there are still unfavorable factors that restrict the development of the system. The challenges facing the development of China's green financial system are mainly reflected in the following aspects:

2.1 Lack of uniformity in green finance standards

First, at present, there is no unified system of green finance standards in China. Green securities should have multiple standards in product standards and environmental disclosure standards. Cross-indicators and incompatible indicators exist in the standard system. Although our country develops rapidly in green credit and green bond business at present, due to the vague definition of project standards and insufficient disclosure information of related products, it is easy to lead to the phenomenon of green finance "floating green" and affect the stability of domestic green business.

Second, the existing standards include only two products, green credit and green bonds. Although the existing standards already cover the two major products of Jinrongshichang in China, the two major products of Jinrongshichang in China are developing rapidly, and the scale of green insurance and green funds is growing. At present, the single green financial standard system in China has fallen behind the development speed of Jinrongshichang. Moreover, for innovative financial products, although it can attract investors' funds, the criteria for the identification of green projects are unclear. From the perspective of financial institutions, they lower the standards for the pursuit of interests and leave room for non-green projects. From the perspective of third-party green certification agencies, due to the lack of independent green certification agencies in the country, a large number of rating agencies, law firms, etc. have flooded into the service market. The assessment results of non-authoritative assessment agencies lack objectivity and provide speculative opportunities for non-green projects. The above reasons may lead to the phenomenon of green Jinrongshichang's "non-green expulsion of true green".

2.2 Imperfect Green Finance Policy System

First, the concept of green finance development is weak. Green finance projects are costly, short-term returns are not significant, and it is difficult to get the favor of local governments. In addition, the weight of green GDP in the performance assessment is not high, and the deep-rooted traditional performance concept of local government can not be fundamentally changed, resulting in a weak concept of green finance development.

Second, the green financial regulatory system is not perfect. The regulation of green finance mainly includes the regulation of financial institutions by the government and financial supervision agencies, and the subsequent supervision of green financial customers by financial institutions. On the one hand, as China's green financial system is still in the exploratory stage, the policies, laws and regulations related to environmental protection still need to be improved, and the asymmetry of green financial information and the unclear product system also lead to more blind areas for green supervision. This ultimately resulted in inadequate regulation of financial institutions. On the other hand, due to the inadequacy of green finance-related ex post supervision and information disclosure mechanism, financial institutions have the risk of lowering the regulatory threshold of green financial customers for short-term benefits.

Third, there is an imbalance between the supply and demand of green finance, and there is no obvious cost advantage between green financial instruments and ordinary financial instruments. Local governments have limited support in guaranteeing credit, financial incentives and risk compensation.

2.3 Inadequate capacity for sustainable development of green finance

First, although China's green financial system mainly relies on the top-level design of government policies at this stage, it is from the perspective of sustainable development that financial institutions and enterprises are the internal driving force of China's green financial system in the future. The lack of support from specialized institutions such as green finance assessment, intermediary and knowledge services has affected the diversification of the green finance system.

Second, there are few products in the green financial system. The primary products represented by green credit account for a large proportion, and the proportion of green financial products is low. This unbalanced resource allocation restricts the development ability of the green financial system.

Third, green finance is a cross-discipline from the theoretical point of view and a new type of financial business from the market point of view, but at the same time, complex green financial talents with financial knowledge, environmental economy and other related disciplines are relatively lacking in China.

3. The Innovative Path for the Development of China's Green Finance System

According to the above analysis, the development of green finance in China faces many challenges. If we want to achieve a leapfrogging development of the green finance system, we will ensure the efficient promotion of the three main bodies of state policy, financial supervision and regulation, and financial institutions. The construction of green finance system in China should be carried out from the angle of innovation.

3.1 Policy innovation in the green financial system

First, standardization of the green financial system. With the continuous improvement of the green Jinrongshichang mechanism and the growing scale of green financial products in China,

building a unified standard is an important basis for the sustainable development of the green financial system. In light of the development of the five major pilot areas, we will screen and integrate existing standards, gradually improve the system of green financial standards based on the current situation of green financial instruments in the market, effectively define green industries and projects, and form a unified catalogue of green financial projects. This will match the international level of green finance certification mechanism to promote the International development of China's green finance system.

Second, we need to increase incentives for green finance. Governments at all levels should establish a coordinated incentive framework that includes green industry, environmental protection and green finance, optimize the green allocation of fiscal resources, and increase the proportion of green infrastructure investment in fiscal green spending. In addition to increasing fiscal subsidies and preferential treatment in terms of tax revenue, investment promotion, and scientific and technological innovation, the government and regulatory authorities may adopt policies such as reducing the risk weight of green assets, reducing the targeted rating of green credit, and giving priority to green bonds. We will improve the system of incentives for green finance so as to reduce the cost of financial instruments, improve the mechanism for sharing risk on revenue costs, mobilize the enthusiasm of financial institutions and investors, and attract multi-level investment funds into the green financial industry.

Third, we need to improve the risk prevention mechanism of the green financial system. Green financial instruments have the general characteristics of ordinary financial instruments, and there are also certain risks. Because our country's green financial system is still in the exploration stage, imperfect policies and imperfect market mechanisms will increase the policy risks and moral risks of green financial instruments. Therefore, in order to safeguard the green financial security and the interests of investors, we should improve the risk prevention mechanism, increase the penalties for violations, and ensure the fairness of green financial development. We should also establish a certain compensation mechanism for the loss of interest of investors.

3.2 Innovation of Financial Organization in the Green Financial System

First, establish a professional green financial institution. On the one hand, we should follow the example of developed countries in designing specialized policy-oriented banks and rely on government policies to support investment in new energy, renewable energy, energy conservation and efficiency, low-carbon infrastructure and environmental protection, so as to leverage the coordinated development of domestic green finance institutions. On the other hand, it is different from traditional domestic financial institutions to set up innovative financial institutions to inject new vitality into the green financial system and activate the development of green new industries.

Second, the establishment of a green financial system intermediary agency. The first is the certification body for the green financial system. We will strengthen compulsory certification of green financial products and match them with the Equator Principles to support the internationalization of green financial products in China. The second category is the green financial system credit agency. It mainly provides credit services related to green finance, such as credit investigation, insurance and asset assessment, self-confidence evaluation, and credit promotion, in order to solve the problem of small scale and insufficient collateral for domestic green enterprises in the early stages of their growth. Mitigating its financing difficulties and expensive financing status quo. The third category is the specialized agencies of the green financial system. It mainly covers the services of lawyers, accounting affairs, and intellectual property agents in the green finance business, and provides professional consultancy services for green enterprises.

Third, set up a collaborative innovation center combining production, education and research in

the green financial system. We will build a cooperative model of "universities, research institutions, financial institutions, and enterprises" and form a mechanism for building green financial capabilities. Through the in-depth study of green finance theory and practice by universities and professional research institutions, as well as the training of joint talents with financial institutions and enterprises, the development of green finance business planning, product development, and employee professionalism of financial institutions have been continuously promoted, and Jinrongshichang has been continuously injected with vitality.

3.3 Product innovation in the green financial system

Green credit product innovation. On the basis of giving full play to the advantages of China's existing green credit products, product innovation should be carried out from the following four perspectives:

First, green product innovation from the perspective of supply chain finance. Integrate green financial system standards with supply chain financial products, and make up for the deficiencies in standards through cooperation with the Environmental Protection sector, thus ensuring the innovation of green supply chain financial products and operations. Commercial banks can use technology and finance to master the characteristics of the green supply chain in different scenarios, different links, and different subjects in real time, so as to comprehensively analyze the various needs of supply chain finance, speed up the renewal efficiency of supply chain financial products, and shorten the response cycle. In order to realize the green supply chain financial products informatization and timely.

Second, green product innovation should be carried out from the perspective of consumer credit. The first is to launch a green mortgage. Establish a green building evaluation standard system to provide preferential interest rates and low rates for residential buildings that meet green building standards; Second, in line with the consumer demand of modern people, we have introduced new types of consumer loans for green appliances, new energy vehicles, and low-carbon vehicles.

Thirdly, green product innovation should be carried out from the perspective of carbon emissions market. Green credit can be designed and innovated according to key links in the market trading process, such as off-take contract guarantees, carbon delivery guarantees, operating and export credits, quota lending, quota guaranteed loans.

3.4 Scientific and technological innovation in the green financial system

First, from the point of view of green credit business, the green financial system innovation model of the "block chain + big data" model can monitor the information of the capital chain of the green credit business in real time through sharing accounts, and can ensure the dynamic credit collection on the entire capital chain. Improving the efficiency of information transmission is beneficial to the risk prevention and control of green credit business and reducing the risk of information asymmetry.

Secondly, from the point of view of information construction, using block chains and large data technologies, we can be compatible with and unify different types of information sharing platforms, thus building a comprehensive information sharing platform that integrates information collection, supervision and evaluation in a more comprehensive and efficient manner. It not only reduces the cost of green finance business, but also improves the efficiency of credit and capital flow. While improving the services of green credit business of financial institutions, it also mobilizes the enthusiasm of financial institutions and enterprises to participate in the development of green financial system.

Finally, from the perspective of innovation risk prevention, although green finance policies and

product innovation will bring some financial risks, the integration of block chain technology can improve the security, transparency and rapid response ability of information sharing platforms. This will not only help financial institutions to manage their post-loan risk and evaluate their development effects, but also limit the pricing of green financial products within a reasonable range, promote the transparency of green financial services, and help reduce the risk of financial bubbles and ensure the healthy development of the green financial system.

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