

Chapter 3

Analysis of Sustainable Development Path for Green Finance: A Case Study of China

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ABSTRACT

The development of green finance is a global trend in the current era. At present, developing the green finance has been included as an important national development project by the Chinese government. With the rapid economic growth, the priorities or trade-offs between the economic development and the natural environment have also aroused different contradictions and problems. With the improvement of people's quality of life, they start to pay more attention to the pollution of the surrounding environment. Therefore, the government should properly intervene and propose effective measures, and green finance is an excellent tool to reconcile social economy and environmental protection and transform the physical investment, thus guiding the social resources towards the environmental protection industry and reaching an optimal interests allocation among the market, society, and government. Consequently, in the face of such a situation, it is necessary to propose a series of models and paths that suit the needs of the Chinese society and promote sustainable development.

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INTRODUCTION

With the economic development trend of China, the economic growth rate has gradually slowed down, and the economic structure is facing adjustment and industrial transformation and upgrading, which will become the only way to achieve sustainable development. Green finance is especially important and poses a significant impact on the economic structural adjustment and industrial structural optimization, Ma, et al. (2016) In 2005, Industrial Bank was the first to launch the green finance business, and became the first “Equator banks” in China in 2008; in March 2016, the “13th Five-Year Plan” promulgated by the National People’s Congress clearly proposed to “build green financial system, develop green credit and bonds, and set up green development funds”; in August 2016, the People’s Bank of China and other associations jointly issued Guiding Opinions on Building Green Financial System to further define China’s policy framework of developing green finance. Therefore, it can be seen that the establishment of a green financial system has risen to a national strategy.

Green finance is a new concept in financial theories and financial practices, and also called environmental financing or sustainable finance in the existing literature. Green finance is a special financial activity or development strategy that requires the financial industry to carry out financial innovation business from a macro perspective based on the principle of environmental protection and sustainable development, achieve the coordinated development of the environment and economy, and promote the sustainable development of the financial industry. The evaluation of the green finance from a micro perspective generally starts from financial institutions to check the green operation and management service capabilities of the financial industry. The development of green finance is evaluated through the development of green financial business in the financial institutions, corporate green financial policies and information disclosure, etc.

Based on the analysis of relevant foreign literature, the main viewpoint of foreign scholars is to use green finance as a means of capital financing, such as green credit and bonds. For example, Wang (2010) believed that green finance refers to a financial business in which direct and indirect financing and ecological insurance are used in order to rationally utilize energy, natural resources, and protect ecological environment services, thus achieving energy saving, emission reduction, and consumption decline. It promotes the adjustment to and optimization of industrial structure and achieves the perpetual coordinated development of economic society and ecological environment.

In the 19th National People’s Congress, the development of green finance rose to a national strategy. On the one hand, the development of green finance is in line with the global green transformation trend. On the other hand, green finance

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