

# Corporate Governance and Corporate Green Innovation

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**Abstract:** After the COVID-19 pandemic, global economic growth has slowed down, trade has shrunk, and higher requirements have been placed on corporate innovation capabilities. While China's economy is developing at a high quality, environmental issues are increasingly attracting widespread social attention. Therefore, this article will focus on the impact of corporate governance on green innovation. The role of corporate governance in green innovation is gaining increasing attention, especially in promoting sustainable development and environmental responsibility. An effective corporate governance structure can provide strategic guidance, resource support, and regulatory guarantees for green innovation. An efficient board of directors and management can not only improve the quality of decision-making, but also ensure that while pursuing economic benefits, companies actively fulfill their social responsibilities and promote the research and development and application of environmental protection technologies. In addition, good corporate governance helps to enhance the trust of stakeholders, thereby promoting the smooth implementation of green innovation projects. Studies have shown that companies with green governance awareness are often more innovative and competitive in the market, driven by environmental regulations and market demand.

**Keywords:** Corporate governance, corporate green innovation, board of directors.

## 1. Introduction

The impact of green technology innovation on China's green economic growth reveals that the advancement of renewable energy technology has improved green total factor productivity (GTFP) and alleviated environmental problems. Diverse urban innovation ecosystems promote low-carbon development through multiple paths, especially emphasizing the importance of openness and innovation environment.

Corporate governance structures play a significant role in integrating resources to promote green innovation, leading to both environmental and economic benefits. Research examining the relationship between Environmental, Social, and Governance (ESG) performance and corporate innovation highlights that enhanced governance not only increases innovation resources but also addresses agency issues, thereby fostering innovation quality and supporting sustainable development goals.

### 1.1. Background

With the advancement of the global sustainable development agenda, green innovation has become an important part of a company's long-term competitiveness and social responsibility. Corporate governance, as the core mechanism of corporate management and decision-making, plays a vital role in promoting green innovation. Past research has mainly focused on the impact of corporate governance on financial performance, risk management and shareholder value, but has paid less attention to its role in the field of green innovation. However, green innovation not only involves technological progress and the development of environmentally friendly products, but also requires strategic guidance and resource allocation from management and the board of directors. The degree of perfection of the corporate governance structure directly affects the company's investment decision-making, risk tolerance and optimal allocation of resources in the field of green innovation. In addition, with increasingly stringent environmental regulations and the improvement of consumers' environmental awareness, the performance of enterprises in

green innovation has become a key factor in measuring their social responsibility and sustainable development. Therefore, exploring the mechanism and path of how corporate governance affects green innovation has become an important topic in current corporate management and sustainable development research.

The impact of green technology innovation on China's green economic growth reveals that the advancement of renewable energy technology has improved green total factor productivity (GTFP) and alleviated environmental problems(1). Diverse urban innovation ecosystems promote low-carbon development through multiple paths, especially emphasizing the importance of openness and innovation environment. Moreover, research on the carbon market's role reveals that China's green and low-carbon policies significantly impact the effectiveness of regional carbon markets. National and industrial policies particularly stimulate short-term market incentives and elevate carbon prices, indicating the interconnectedness of policy frameworks and market dynamics.

### 1.2. Research Significance

The purpose of this study is to explore the impact of corporate governance structure on corporate green innovation and its economic consequences, with a special focus on the role of financing constraints as a mediating variable. The study provides an in-depth understanding of the practical effects of corporate governance mechanisms in China's A-share listed companies, especially in promoting corporate green innovation and improving operating efficiency, so as to provide micro-evidence for better implementation of the "innovation-driven development strategy", building a "green innovation-oriented country" and "sustainable development", and promote the reform of China's corporate governance system (United Nations Human Settlements Programme [UN-Habitat], 2022). The study of this study has important theoretical value and practical significance.

From a theoretical perspective, this study helps enrich the academic framework in the field of corporate governance and green innovation. Traditional corporate governance theory

focuses mainly on economic benefits, shareholder value and financial performance, while green innovation, as an innovation model involving the environment, social responsibility and long-term sustainability, requires a re-examination of the functions and roles of corporate governance. By deeply exploring the relationship between corporate governance structure, decision-making mechanism and green innovation, it can reveal how governance mechanisms affect the innovation capabilities of enterprises in environmental protection technology, green product development and sustainable business models, thereby providing new perspectives and theoretical support for subsequent academic research.

From a practical perspective, with the increase in global environmental awareness and the promotion of green policies, enterprises are facing increasing pressure on environmental responsibility. Studying the impact of corporate governance on green innovation can provide a theoretical basis for enterprises to formulate more effective governance structures and strategic planning, help enterprises achieve better resource allocation and decision-making optimization in the field of green innovation, and enhance their market competitiveness and social influence. In addition, governments and regulators can also promote the overall green transformation of society by understanding the role of corporate governance in green innovation and formulating more reasonable policies and incentive mechanisms.

## 2. Literature References

As global environmental issues become increasingly severe, green innovation has become a key factor in promoting sustainable development and corporate competitiveness. As an important mechanism influencing corporate decision-making and strategy implementation, corporate governance plays a vital role in promoting green innovation. The characteristics of the board of directors are considered to be an important component of corporate governance and have a profound impact on green innovation. Some studies have shown that the diversity of board members, especially female directors and directors with environmental professional backgrounds, can significantly promote green innovation (2). Transparent governance structures and efficient decision-making mechanisms help companies respond quickly to environmental challenges and implement green technology research and development and green product innovation. These governance features promote the implementation of green innovation by improving the resource allocation efficiency and innovation capabilities of enterprises. While digital transformation improves corporate governance efficiency, it also provides new opportunities for green innovation. Digital technology has played an important role in optimizing resource allocation, improving management transparency and promoting information sharing. According to the research of Wang et al. (2024), digital transformation not only helps enterprises improve operational efficiency, but also optimizes the green governance structure in the process of achieving carbon peak and carbon neutrality goals. Through digital technology, companies can more accurately monitor and manage the progress of green innovation and enhance the execution of green innovation. Government policies and market environment serve as a bridge between corporate governance and green innovation. Local government's green policies and incentives can effectively promote green innovation among enterprises (3).

For example, in China, the government's green subsidies and tax reduction policies provide financial support for companies' green technology research and development, reducing their green innovation costs. However, some studies have also pointed out that overly strict tax enforcement may limit the green innovation potential of enterprises, especially for small and medium-sized enterprises with limited financing (4). The impact of these policy environments on corporate innovation is complex, and different policy combinations have significant differences in their promotion of corporate green innovation.

Corporate governance has a multi-dimensional impact on promoting green innovation. A good governance structure can improve the innovation ability of enterprises. Digital transformation provides new impetus for green innovation. Government policies promote enterprises' investment in green technology through institutional pressure and incentive mechanisms. However, the implementation effect of policies is affected by many factors, including the financing ability of enterprises, industry characteristics, and the government's enforcement strength. Therefore, future research should focus on the interactive relationship between corporate governance, digital transformation, and policy environment to further explore how to optimize these factors and promote the widespread realization of green innovation.

## 3. Conclusion

This article explores the impact of corporate governance on green innovation and the results show that a good corporate governance structure can significantly promote the implementation and development of green innovation. Specifically, companies with efficient decision-making mechanisms and transparent governance processes demonstrate stronger innovation capabilities in resource allocation, technology research and development, and market promotion of environmentally friendly products. In particular, the strategic decisions of the board of directors and the execution of management have played a key role in promoting green innovation. In addition, the study found that when companies pursue green innovation, good governance can not only increase R&D investment in environmental protection technologies, but also promote their competitiveness in the green market by enhancing their social responsibility and stakeholder trust. However, the study also pointed out that the promotion of green innovation does not rely solely on corporate governance, but is also affected by multiple factors such as the external environment, market demand, and policies and regulations. Although the role of corporate governance in green innovation is important, its effectiveness still needs to be further verified in different industry and regional contexts. Future research can further explore the quantitative relationship between corporate governance structure and green innovation performance, as well as the specific paths and models of different governance mechanisms in promoting green innovation. But in general, good corporate governance provides the necessary support and guarantee for the success of green innovation and is a key factor in the sustainable development of enterprises.

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