

# The Mechanism and Path Selection of Green Finance Helping High Quality Economic Development

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**Abstract:** In view of the environmental problems brought about by the current global climate change and the requirements for high-quality economic development, as the "new engine" of economic power and the "lubricant" of green development, the development of green finance is an inevitable requirement for economic development in the new era. This paper first introduces the profound connotation and interaction between green finance and high-quality economic development, and then expounds the current situation and existing problems of green finance supporting high-quality economic development. On the basis of analyzing the mechanism of green finance for high-quality economic development, this paper proposes an effective path that green finance can take to lead high-quality economic development, which is of great significance for achieving dual carbon goals and high-quality economic development.

**Keywords:** Green financial economy, High-quality development, Dual carbon goals.

## 1. Introduction

### 1.1. Research background

Since the reform and opening up, China's economy has been in a high-speed growth trend, but accompanied by environmental pollution, overcapacity, low efficiency and other issues. China's economy has shifted from a stage of rapid growth to a stage of high-quality growth. Relying on traditional economic development methods can no longer meet the requirements of high-quality economic development entering the new normal. High quality economic development emphasizes sustainable economic development, upgrading and transformation of backward industries, and optimal allocation of social resources. Finance is the key element to guide capital flow and improve the efficiency of resource allocation, and it is also the core power to support modern economic growth. The proposal of the "double carbon" goal provides a direction for China's economic transformation. It is essential to eliminate excess capacity and green upgrade the industrial structure. Green finance came into being at the historic moment. In 2015, China first proposed "building a green financial system". The report of the 19th National Congress of the Communist Party of China in 2017 clearly pointed out the development of green finance and raised the building of green finance to the height of national strategy. By 2020, "carbon will reach its peak The proposal of the goal of "carbon neutrality" puts forward clearer requirements for the high-quality development of green finance. The report of the Twentieth National Congress of the Communist Party of China in 2022 again emphasizes the need to promote "green development" "And accelerate the green transformation of the development mode. The ecological environment is the resource guarantee for sustainable economic development, and green finance has great potential in supporting environmental improvement, resource conservation and efficient utilization. At present, various financial institutions have made active and effective exploration in the practice of innovating green financial products and services. How to achieve a comprehensive green transformation during the "Fourteenth Five Year Plan "period and promote green and

high-quality economic development is particularly important.

### 1.2. Research significance

China's economy is in the critical period of transforming the development mode, optimizing the economic structure, and transforming the driving force of growth. Protecting the ecological environment while developing the economy has become an important measure for countries to adjust the economic development mode. As a combination of finance and green economy, green finance not only supports the use of resources, environmental improvement, and response to climate change, but also has the function of stabilizing economic growth and adjusting the economic structure Providing funds for economic development and other functions can guide higher quality economic development. Therefore, it is worth studying how green finance affects high-quality economic development and what practical effects it will produce. This paper combs the previous literature. After clarifying the profound connotation and interaction between green finance and high-quality economic development, through analyzing the current situation and existing problems of green finance supporting high-quality economic development, this paper discusses the mechanism and path evolution of green finance supporting high-quality economic development, which will further improve green financial policies and promote the innovative development of green finance, Building a scientific and perfect green financial system to promote sustainable and high-quality economic development has important enlightenment value.

## 2. Literature Review

### 2.1. Overview of green finance

Green finance began to sprout abroad in 1974. The Federal Republic of Germany established the world's first policy oriented environmental bank, which introduced the idea of environmental protection into the operating rules of financial institutions, and became an early international exploration of green finance. In 2007, the European Investment Bank issued the world's first green bond - "Climate Awareness Bond" to investors in EU member states ". In 1981, China first

proposed to use leverage to control environmental pollution, which gave birth to the embryonic form of green finance against environmental problems encountered in the process of economic development; in 2016, China first proposed the concept of green finance at the G20 Summit, which caused widespread debate around the world, and the formulation of its development policies rose to the national strategic level. As a product of the combination of environmental protection and financial development, green finance is Quality is to realize the green allocation of capital elements, guide the green ecological transformation of enterprise production mode and consumer consumption mode by optimizing resource allocation, and realize the transformation and upgrading of industrial structure.

## **2.2. Meaning of high-quality economic development**

The report of the 19th National Congress of the Communist Party of China put forward the statement of high-quality development for the first time. Economic development is not only about speed, but also about the inherent quality of development from the perspective of sustainable and stable achievements. The report of the 20th National Congress of the Communist Party of China clearly pointed out again that we should promote the effective improvement of the quality and quantity of the economy, focus on improving total factor productivity, focus on improving the resilience and security of the supply chain of the industrial chain, and focus on promoting urban and rural integration and regional coordinated development. High quality economic development aims to enhance economic vitality and innovation. It is a major strategic decision for China's economy and society to face the new normal in the new era. It is more able to meet the people's growing needs for a better life, and more in line with the new development concept of innovation, coordination, green, open and sharing.

## **2.3. The relationship between green finance and high-quality economic development**

As the development of green finance has become a national strategy, more and more scholars have begun to pay attention to the relationship between green finance and high-quality economic development. Zhou Chenying et al. (2020)[1] believed that in the comprehensive dimension, green finance has improved the comprehensive level of high-quality economic development. Fu Yaping and Peng Zhengqin (2020)[2] based on the provincial panel threshold model study found that when the degree of environmental pollution exceeds the threshold, green finance development has a stronger effect on promoting technological progress and sustainable economic growth by increasing research and development investment. Liu Huake and He Chun (2021)[3] believe that green finance is conducive to promoting high-quality economic development, and there are some intermediary effects of green finance in promoting high-quality economic development; Xie Xusheng and Yan Siping (2021) [4]found that China's green finance and high-quality economic development showed significant positive spatial correlation, and both of these correlations were stronger in the economic or economic geographical correlation space; Zhou Hanmei and Li Taorui (2021)[5] found that the role of green finance in high-quality economic development is an inverted "U" type of nonlinear characteristics, and the current stage is mostly reflected in the role of promotion; Li Yan et al.

(2022)[6] believed that green finance and high-quality economic development would promote each other in the short term. Cai Qiang and Wang Xuxu (2022)[7] found that from the perspective of spatial spillover effect, the level of green finance development has a significant positive impact on the level of high-quality economic development; Based on the panel threshold model, Yu Bo and Fan Zeng (2022)[8] found that in regions with higher per capita GDP and lower environmental pollution, green finance will play a stronger role in promoting high-quality economic development.

## **3. Current Situation and Existing Problems of Green Finance Supporting High-quality Economic Development**

Since the dual carbon goals were put forward, China has strengthened its support for green finance policies and encouraged and guided the development of green finance. In recent years, China's green financial product system has been continuously improved, and the amount of green finance investment has continued to increase. By the end of the third quarter of 2022, more than 240 billion yuan has been used in carbon emission reduction support tools, the balance of domestic and foreign currency green credit has exceeded 20 trillion yuan, a year-on-year increase of 41.4%, and climate investment and financing account for two-thirds. By the end of November 2022, the cumulative issuance scale of China's green bond market has exceeded 2.5 trillion yuan. The green bond standards and management norms have become unified domestically and in line with international standards. The scale of China's ESG public funds has exceeded 150 billion yuan, an increase of 6% over the end of 2021. In addition, China has actively participated in the international cooperation and governance of green finance. In order to build an international green finance hub, it launched the Shanghai Green Finance Index for the first time, strengthened exchanges and cooperation with other countries through various multilateral and bilateral platforms, and deeply participated in international cooperation mechanisms in the field of green finance, such as GIP, SFWG, to promote cross-border green capital flows.

In general, China's green financial market is developing rapidly, but the overall scale is relatively limited, and green financial innovation products are insufficient. China's green derivatives are still in the early stage of exploration, and the coverage of green derivatives is relatively narrow. In addition, there are differences in the regulatory policies for the green finance field within financial institutions, and relevant concepts in the green finance field have not been clearly defined. It is difficult to form a complete legal system and regulatory system for green finance, and it does not fully reflect the enabling effect of the Internet of Things, big data and other scientific and technological forces on green finance.

## **4. The Mechanism of Green Finance to Promote High-quality Economic Development**

### **4.1. Effectively allocate resources and directly promote economic growth**

With the support of the diversified green financial policies issued by the government, financial institutions can gather the

idle funds of enterprises and residents into green capital through financial contracts. External financing is also the main means of financing for the development of enterprises themselves, promoting the scale effect of green financial enterprises. Green finance can give full play to the function of effective resource allocation, reduce capital investment in highly polluting and energy consuming industries, and increase financial support for environment-friendly green projects. Green industries and projects supported by green finance have less policy risk and greater value-added potential. Energy conservation and environmental protection enterprises can obtain sufficient funds through industrial integration, continue to expand reproduction, and directly contribute to macroeconomic growth.

#### **4.2. Optimize industrial structure and promote efficient economic development**

With the construction of ecological environment and the transformation and upgrading of economy, the traditional industrial structure dominated by energy consumption has been difficult to adapt to the trend of social development. The proposal of green finance strategy is of great significance for promoting the upgrading of industrial structure, optimizing the industrial structure and then promoting more dynamic economic development. First of all, green finance provides strong financial support for green industries and green consumption. Through green credit, green bonds and other financial products and services, it guides funds from highly polluting and energy consuming industries to green environment-friendly industries, thus driving the upgrading of industrial structure. Secondly, the government policy guides the reduction of investment and credit to traditional enterprises with high energy consumption and high pollution, encourages the development of green environmental protection industries, encourages green manufacturing and green consumption, thus promoting the transformation of industrial structure. Finally, green finance improves the competitiveness of green industry by optimizing resource allocation, and forces the transformation to green industry by taking measures such as stopping loans and limiting loans for high energy consumption and high pollution.

#### **4.3. Promote technological innovation and promote innovative economic development**

Innovation is an inexhaustible driving force for development. Economic innovation and development cannot be separated from the development of new industries. Green finance can provide venture capital and long-term capital to support the innovation of green industries, expand capital channels and reduce financing costs. The financial support will help ease the financing constraints of enterprises, increase investment in research and development of new technologies, help them operate normally, expand the industrial scale, and further promote the innovative development of the economy while promoting industrial development.

#### **4.4. Improve the ecological environment and promote green economic development**

To promote high-quality economic development, the improvement of the ecological environment is essential. Green finance can use policy driven and market mechanism to guide the flow of funds to green environmental protection industries, improve the loan threshold for enterprises with

high pollution and energy consumption, promote the transfer of resources from enterprises with high pollution and energy consumption to green and sustainable enterprises, and realize the ecological development of the industry. At the same time, with the introduction of more and more financial products such as green consumption subsidies by financial institutions, the public's awareness of green consumption has also been enhanced.

### **5. The Path Choice of Green Finance to Promote High-quality Economic Development**

#### **5.1. Strengthen the awareness of green development and increase the reserve of professional talents**

Green development is an important part of high-quality economic development. To promote high-quality economic development, we should first implement the concept of green development. First, we can actively publicize the strategic significance of "carbon peak" and "carbon neutrality" and the concept of green and low-carbon development to the public through news, official account and other media, improve the public's awareness of green environmental protection, change consumption preferences from the demand side, and promote green and ecological consumption; Secondly, enterprises should establish the concept of green production and investment, actively seek economic growth points from green environmental protection projects, and enhance the competitiveness of enterprises. The government can implement incentive policies of tax reduction and exemption for companies that implement the concept of environmental protection; Finally, financial institutions from top to bottom should set up a green credit rating system for financial institutions, incorporate the performance of green finance into the assessment, enhance the awareness of financial institutions to develop green finance, pay attention to training professionals who not only have financial knowledge, but also master green development and other fields, enhance the professional quality of relevant personnel, implement the talent introduction plan, and establish a think tank of green finance experts, Create high-quality teams that meet the requirements of green financial system construction and economic development to help green financial high-quality development.

#### **5.2. Improve the legal and regulatory system and strengthen the information disclosure mechanism**

A sound financial laws and regulations system can effectively prevent and resolve financial risks, improve the ability of green finance to serve the real economy, and provide an important guarantee for high-quality economic development. Relevant departments should improve relevant laws and regulations driven by green finance to ensure that the government's policy guidance on economic development and the optimization effect of practical problems are further improved. The unified standards, norms, statistical systems and other basic systems of green finance must be constantly developed and improved in combination with market practice. In view of the problem that the environmental information disclosure mechanism is still imperfect and poses a threat to the safety of green finance, we should strengthen the control

of information disclosure rules, unify the requirements and formats of information disclosure, facilitate the disclosure subject to provide standard and qualified disclosure reports, build a green financial risk monitoring system within financial institutions, enrich the means of green financial supervision, and strengthen the statistical analysis of financial operation risks.

### **5.3. Attach importance to digital technology support and innovate green financial instruments**

Although China's existing green financial products include green credit, green bonds, green insurance, green funds and carbon finance, they are still not abundant. Digital economy can provide data support for green financial development, improve the quality of green statistics and carbon accounting efficiency, and improve the information asymmetry of green financial market. We should actively rely on scientific and technological means such as "Internet plus", big data and artificial intelligence to vigorously promote green financial products, strengthen the construction of green financial markets and products, strengthen the innovation of traditional products such as green credit, green funds and green bonds, expand direct financing in the field of green financing, expand the scale of green credit, promote diversified innovation of financial products, innovate green asset securitization, green asset backed bills. The use of green financial products such as carbon forward, carbon futures and carbon options will continuously improve the service quality of green financial products and form a mature green financial industry chain.

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