

Green Credit Business of China Construction Bank

¹Chang Lu, ²Dewei Wang

School of Marxism, Harbin Institute of Technology, Harbin, 150001, China

¹Email: luchang0809@163.com

²Correspondence author. Email: 2012kz@sina.cn

Abstract: Through studying the environmental policy and measures of green credit, green credit approval system and the development of green credit, an assessment of green credit business of CCB (China Construction Bank) was made; through comparisons between CCB and the CIB (China Industrial Bank Co., Ltd.) which did very well in green credit, some problems in green credit business of CCB were revealed.

[Chang Lu, Dewei Wang. **Green Credit Business of China Construction Bank.** *World Rural Observ* 2016;8(2):15-18]. ISSN: 1944-6543 (Print); ISSN: 1944-6551 (Online). <http://www.sciencepub.net/rural>. 3. doi:[10.7537/marswro08021603](https://doi.org/10.7537/marswro08021603).

Key words: China Construction Bank; Green credit; Social responsibility;

1. Environmental policies and measures of green credit

CCB started the Green Credit business in 2007, since then CCB improved the bank's green credit policies and standards actively, and issued several green credit policies and specific implementation measures.

1.1 Improving the standards of green credit

CCB introduced the Project which didn't meet the relevant standards. The bank made focus on the classification of credit risk, adjusted the credit rating of the company which caused serious pollution of the environment timely, compelled them to correct their problems; for the company which can't make some improvements in a short time, the bank cut the loan or refuse to lend; for the excess capacity and high energy-consuming industries, the bank increased the loan interest rate, and guide d rational allocation of resources by economic leverages.

The bank developed client lists according to the green credit standards, and the assessment of loan project mainly accorded to the green credit standards too. If the project did a great harm to our environment during the production and business operation, the bank assessed the risk periodically.

1.2 Strengthening the auditing of green credit project

Which client passed the auditing and which loan project was allowed were both on the basis of Green Credit standards. For the project and client which obeyed environmental protection and energy saving regulations during their production and business operation, the bank should be determined not to offer loans. In this respect, CIB sets up a professional department, specialized in auditing corporate environmental status and loan risks, control the loans strictly, however neither professional department nor professionals in CCB. So both method and attention

were missed in auditing of green credit projects of CCB.

2. Approving system of green credit

2.1 Carrying out environment "one-vote-down system"

In 2006, CCB carried out environment "one-vote-down system" for the first time. For the company which didn't pass the examination of the environmental protection department and "Two High" enterprises, no matter how good operating conditions they have, all should obey the "one-vote-down system"; for the environmental-friendly projects, the bank would simplify and optimize the auditing procedure, and give priority to this kind of project, vigorously encourage the development of green and low-carbon projects.

Commercial banks should list highly polluting, energy-intensive and other major environmental pollution clients as key monitoring objects, fully considered the environmental risk of the enterprise, paid attention to the power of examination and approval of environmental risk and legal compliance of the procedure. For the company can't meet national environmental law requirements, energy consumption and pollution emissions and other indicators can't meet the national standard, or might have pollution risk in the future, the bank should control the loan strictly.

2.2 Customers' high quality projects that meet environmental protection criteria would have priority to be processed and approved

For the environmental-friendly projects, the bank should give them priorities, make efforts to ensure the auditing efficiency of these projects. For companies which discharged excessive pollutants, the bank should not offer them new loans. At the same time, during the loan auditing procedure, banks should carry

out terms of auditing loan strictly, for the clients which had completed customer credit ratings, banks should pay continuous attention to their environmental protection and energy consumption conditions, once clients be found have environment illegal behaviors, their credit rating might be decreased, at the same time their loan amount would be reduced.

2.3 Launch significant risk reporting mechanism

Through investigation and dynamic tracking, environmental and social risks timely would be detected. If the enterprises' couldn't meet the environmental protection criteria after they got a loan, banks should take measures timely and ask them to make some improvements. CCB could find "Two High" enterprises and enterprises with high environmental risks through their own information system or various reports issued by the state administration, and then their loans strictly were control; for the enterprises which had been offered loans, banks should also strengthen supervision and reported timely if some risks were found.

Now risk reporting mechanism of CCB could be divided into two kinds, one was enterprises' environmental assessment mechanism, the environmental risks of the enterprise had been directly included into the bank loan approval system,

enterprises were asked to submit a report, including their environmental conditions and their improvement measures. Then the bank would check the report and decide whether or not take loans for them. The other kind was substantial censorship of environmental report, banks not only focused on the report that enterprises submit, but also forecast whether it conformed to the trend of development according to the national situation.

3. The implementation of green credit

3.1 Green credit scale

When considering the development of banks' green credit business, one of the standards was green credit scale. From data revealed by social responsibility report of CCB, we could see that due to 31 Dec, 2012, green credit balance of CCB was 2396.37 billion RMB Yuan, up to 9.41% compared with last year's balance; due to 31 Dec, 2013, green credit balance of CCB was 4719.38 billion RMB Yuan, up to 9.78% compared with last year's balance; due to 31 Dec, 2014, green credit balance of CCB was 5394.54 billion RMB Yuan, up to 10.46% compared with last year's balance. Table 1 showed the green credit projects' development condition of CCB during 2007-2013.

Table 1. 2007-2013 Green credit projects development of CCB unit: 10000 RMB Yuan

Projects	Loan balance
1.Green agriculture development project	497808.00
2.Green forestry development project	151772.49
3.Industrial energy saving and water saving environmental protection project	3854494.75
4.Natural protection, ecological restoration and disaster prevention and control project	390405.00
5.Resources recycling project	726624.67
6.Garbage disposal and pollution prevention project	1310316.59
7.Renewable resources and clean energy project	15778537.86
8.The rural and urban water project	751195.62
9. Building energy conservation and green building	270166.53
10.Grenn transportation project	24590086.05
11.Energy conservation and environmental protection service	517587.52
total	48838995.08

3.2 The proportion of green credit

The ratio of green credit to total loan of the commercial bank was a very important standard when measuring a bank's implementation of green credit business. As for CCB, the green credit scale is increasing year by year, by the end of December 31, 2012, green credit balance of CCB was 2396.37 hundred million RMB Yuan; At the end of December 31, 2013, the green credit balance was 4719.38 hundred million RMB Yuan; at the end of December

31, 2014, the green credit balance was 5394.54 hundred million RMB Yuan. But in recent years, green credit amount of CCB in proportion to the number of total loans had a slight downward trend, compared with CIB Co. Ltd, this proportion was low. It began to decline since 2011, accounting for less than 5%. Since the CIB began to carry out its green credit business, this proportion had been keep climbing, and more than 6%. The ratio of green credit of CCB and CIB was shown in Fig. 1.

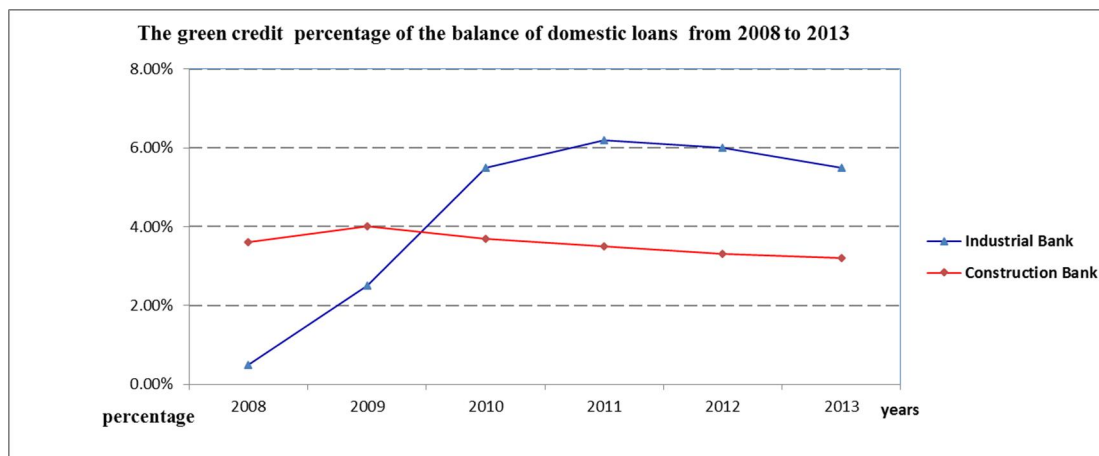


Fig. 1 Green credit percentage of the balance of domestic loans from 2008 to 2013

3.3 The ratio of green credit of “Two High” industries

China's Bank Regulatory Commission earnestly supervised the implementation of green credit policy, guided and urged the banking financial institutions to strengthen the social responsibility, to promote coordinated development of economic construction and environmental protection. Beginning in 2007, the amount of the loan which CCB offers to "energy-intensive, highly polluting" industries such as oil processing industry, chemical industry, building materials, steel, non-ferrous metal, and electric power industries had decreased. Analyzing the development of a bank's green credit business, basically to see the amount of loans it offers to "Two High" industries, as well as the number of loans for environmental protection enterprises, and the discount. CCB controlled the credit scale strictly for the energy-intensive industry and high pollution

industry. For the energy conservation projects, emissions reduction projects and technical reforming projects, CCB increased the loan scale.

By 2009, CCB exited "Two High" industries and other industries which couldn't comply with the requirements of the total loan amount to 767.24 billion RMB Yuan. The share of loans had declined in the iron and steel industry, iron alloy industry, cement industry, coke industry and thermal power industry. At the end of 2009, renewable energy loan balances was 1777.42 billion RMB Yuan, which accounting for 3.82% and net increased by 0.33% over last year, environmental protection loan balance was 3.355 billion RMB Yuan, which accounting for 0.07% and increased by 0.03% over last year. From 2010 to 2013, the proportion of "Two High" industries' loans in total loans of CCB was as shown in table 2.

Table 2. Due to 2013.12.31, loans ratio of “Two High” industries

“two high” industries	Due to 2013.12.31, loans ratio (%)	Due to 2012.12.31 loans ratio (%)	Due to 2011.12.31 Loans ratio (%)	Due to 2010.12.31 loans ratio (%)
Steel	0.37	0.43	0.40	0.45
Ferroalloy	0.004	0.01	0.00	0.00
Cement	0.23	0.26	0.36	0.46
Aluminum smelting	0.21	0.28	0.26	0.42
Coke	0.10	0.13	0.11	0.14
Thermal power	2.92	3.78	4.32	4.4

4. Social evaluation of environmental performance

In today's world, good social evaluation for enterprise was a huge invisible wealth; the same was true for banks. If banks could undertake social

responsibility actively, practice environmental protection duty positively, it would establish a positive public image, get everybody's love and trust, then could promote the rapid development of its own.

If banks lost the good social evaluation, from mouth to mouth, the development of the Banks would be struggling. So, most of banks are keen on winning good evaluation, establishing a good social image, especially in the aspect of environmental protection.

In terms of CCB, it had won the "best social responsibility award", "best bank to fulfill the social responsibility"; "modern most responsible enterprise"; "sixth excellent enterprise" and a series of honors. Compared with CIB, awards of CIB were more international, such as "the annual sustainable bank", "the annual sustainable bank in Asia". Overall, most of the awards from CCB were social responsible awards, while green credit business of CIB obtained highly recognition in domestic and foreign countries, CCB should improve itself and meet the international standards quickly.

Summery

According to the data disclosed from the Social

Responsibility Report of CCB, this paper through analyzing the environmental policy and measures of green credit, green credit approval system and the development of green credit, an assessment of current green credit business of CCB was made.

References

1. Haodong Zhang. Some ideas about the construction of the green credit of CCB [J]. *Macro-economics*, 2013(01):9-11.
2. Baomei Su. Green credit in views of ethic[J]. *Morality and Civilization*, 2010,(02):90-95.
3. Zili Jin. International comparison and reference of green credit [J]. *Productivity Research*, 2013,(03):158-159.
4. Naiwu Hu, Dawei Cao. Green credit and environmental risk management of commercial banks[J]. *Economic Issues*, 2011,(03):103-107.
5. Daqiang Fan. Analysis of China's commercial banks' green credit[J]. *Times* (14).

5/11/2016