



Assessing The Role Of Green Accounting In Enhancing Sustainable Banking Transactions In China

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Abstract

The green initiatives or green accounting of China has considerable significance to cater to the needs of sustainability of the banking transactions. Moreover, the green credit essentials are adopted across the globe in a significant manner to get over big. The green accounting experiment is utterly beneficial in promoting the sustainable practices while transactions is monitored. The viewpoints of the three employees have been fine as dandy in making profound conclusions about the study. The report contains a brief section of NVIVO analysis where the various aspects of green accounting are elaborated with illustrations.

Keywords: Green accounting, sustainable banking, banking transaction, bank in China

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Introduction

It is evident that the financial system of China is solely dominated by banking earning credit to the market economy. There exists a strong involvement of the government resulting in setting higher interest rates for loans where the government ownership is writ large. While the GDP of China is used as an important index in measuring economic growth, environmental degradation has been prevalent along with the overconsumption of resources. For this reason, the Green accounting system has been initiated to deftly tackle the problem leading to international progress. The key purpose of the green accounting system lies in the fact of informing the government about the expense of environmental degradation, and depletion of resources, which is an indicator of the achievement of the government. After the UN’s SEEA 1993, plausible efforts were made for the consideration of environment and resource dimensions in accounting.

Aims

The primary aim of the research is to assess the role of green accounting to heighten sustainable banking transactions across China.

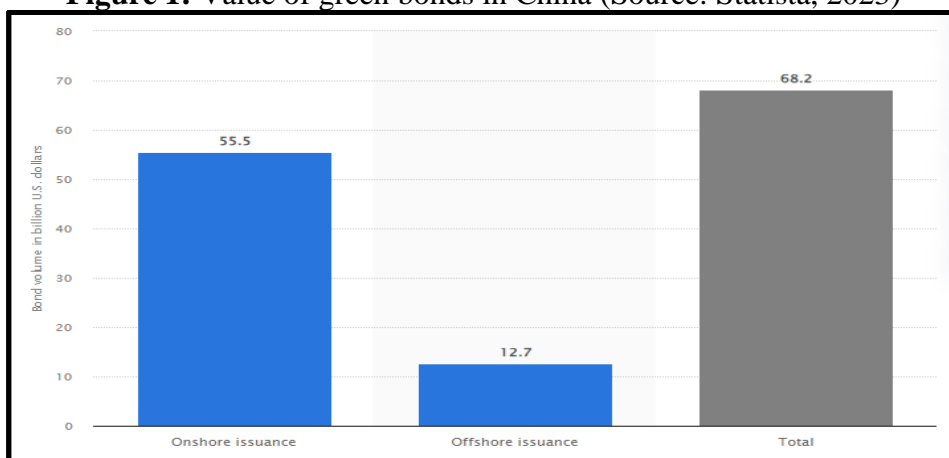
Research question

What is the role of green accounting in sustainable banking transactions in China?

Background

NEPA or National Environmental Protection Agency along with the research group of the China Academy of Science initiated the studies with the wealth concept of the World Bank integrated with the resource, and environmental aspects. Of late, an experiment involving the establishment of a green national accounting system in China is initiated, sponsored by NBS or National Bureau of Statistics, and SEPA or State Environmental Protection Administration (Maurel&Pernet, 2021).

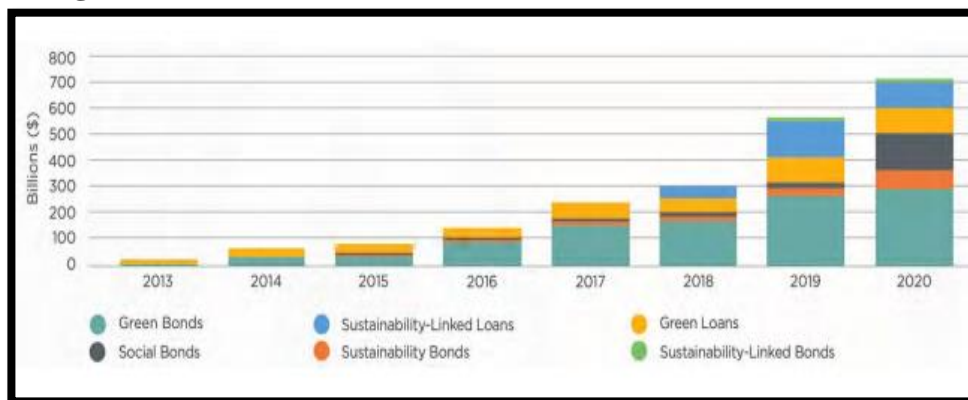
Figure 1: Value of green bonds in China (Source: Statista, 2023)



The pilot Green accounting experiment of 2004 was carried out for sustainable development of the cities and continued till 2005. The china economy was entirely planned during the period in the 1950s with the contribution of heavy industries (Cheng et al. 2021). Notably the “Great Leap Forward, 1958”of China came out with unflagging enthusiasm for economic development. Rapid development in China began in 1978 with an open and reformed policy where technology and science were considered paramount for productivity, and market adjusting. As per

figure 1 it can be stated that in China there is increase in onshore issuance of green bonds. At the UN Stockholm conference, China put emphasis on the series of policies, laws, and standards to combat pollution while adhering to the EIA or environmental impact assessment. The provisional environmental protection law of the PRC was promulgated in 1979 (Zhang et al. 2022). Furthermore the figure 2 depicts that with the advent of green marketing in china there has been an increase on purchase of green bonds.

Figure 2: Sustainable debt insurance (Source: Maurel & Pernet, 2021)



Methodology

In this research method, a positivism philosophy has been followed where knowledge and ideas are profound in completing the topic of the research. The positivism philosophy is of immense significance as it analyzes real-life facts in a logical manner (Kahambing, 2019). Besides the deductive research approach is followed which is beneficial in the development of the hypothetical knowledge, which is invariably linked with green accounting (Pearse, 2019). On the other hand, a descriptive research design is considered which is beneficial to analyse information in a qualitative manner (Supriyanto et al. 2019).

While the data collection is considered, the researcher has adhered to the primary qualitative method of data collection. 5 open-ended questions were framed which were answered by 3 participants who are the

employees of bank of China and have been working in the banks for last 5 years. The employees provided a crystal-clear view of the Chinese banks, as they were not repugnant in this field. A face-to-face interview was conducted outside the bank premises after taking the consent of the participants with the duration of approximately 10 minutes. With the responses, the NVIVO analysis was done to further enrich the findings of the present study (Viphanphong et al. 2023). In this regard, the interview has been conducted to collect relevant and qualitative information on the sustainable banking transactions in China with the perspectives of specific ideas. The aspects of sustainable banking transactions were taken into consideration as the participants were abreast with the current scenario.

Findings

Figure 1: NVIVO Output results

Node List

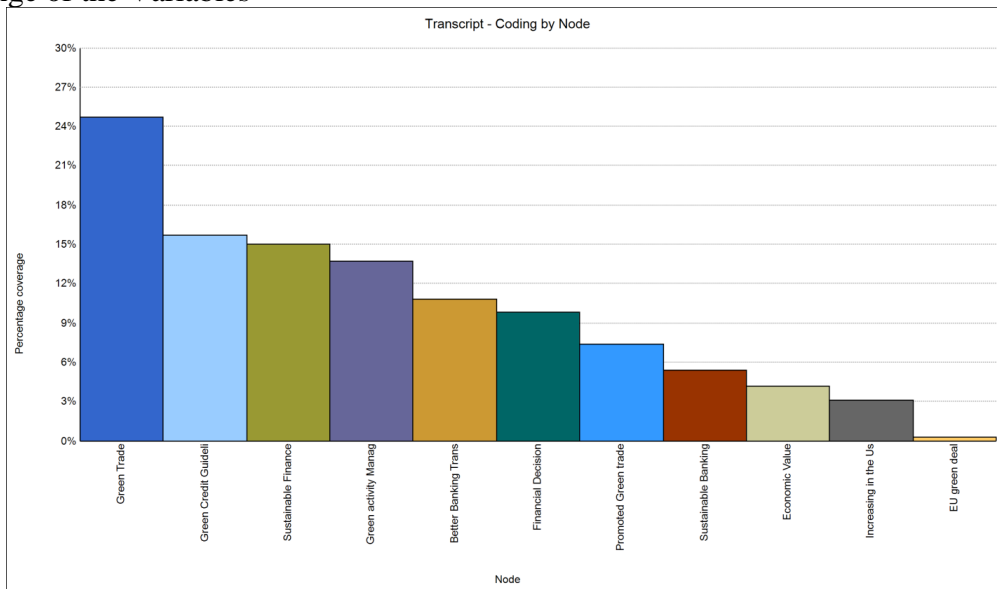
Node List

Nodes		
Name	Sources	References
Economic Value	1	2
Increasing in the Usage of the Green Accounting	1	1
Financial Decision	1	5
Promoted Green trade activities	1	2
Green activity Management	1	6
Better Banking Transactions	1	4
Green Credit Guidelines	1	4
Green Trade	1	8
EU green deal	1	1
Sustainable Banking	1	2
Sustainable Finance	1	7

Word Cloud



Coding range of the Variables



Nodes to Theme Generation

Table 1: Nodes to Theme Generation

Nodes	Ideas and concepts generated from the interview process
Economic Value and Financial Decision	<i>Sound financial decisions can result in heightening the economic value of the country</i>
Green trade and activity management	<i>Green trades have become an integral factor in the activity management of banking transactions</i>
Green credit guidelines and sustainable banking	<i>Sustainable banking is largely dependent on the green credit guidelines promoted by the Chinese banks'</i>

Sustainable financing involves sustainable banking and lending where the shareholder activism is evident for long-term value creation. Furthermore, the ESG aspects are inextricably linked with sustainable financing and activity management. The EU undertakes

a number of green initiatives where the EU Green Deal and green bonds are prominent. Other than these, there are social and environmental risks in the form of environmental taxes while maintaining the capital flow. In essence, green financing in

the form of green trade, green bonds, and green credits has become essential for sustainable financing.

Themes and concept analysis

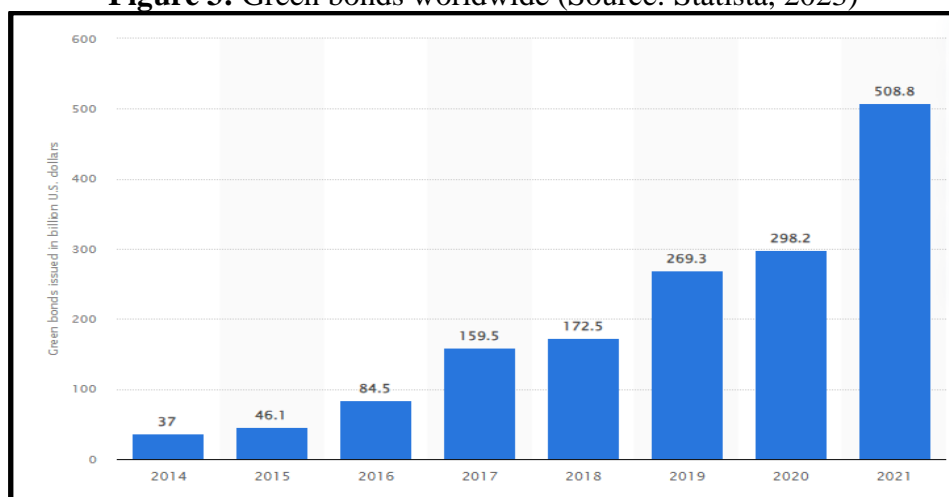
Sound financial decisions can result in heightening the economic value of the country

The engrossing economic success of China has been built on the fact of FDI flows, and various economic reforms leading to favourable economic outcomes. Moreover, the policy formulation of mixed strategies of ISI or import-substituted and EOI or export-oriented industrialisation is of high significance in going over big. In this context,

participant 2 imprinted that “Sustainable financing with green accounting requires that capital markets provide its economic agents with the right incentives to focus on long-term Value creation and industrialisation”.

In this regard, the trade development process of China has been a purist delight which has become the critical pillar of the accumulation of trade surplus, and export-oriented strategy (Rippa, 2020). Hence, in telecommunications, and infrastructure development, along with the contribution to the economic aspects, financial decisions took the pole position.

Figure 3: Green bonds worldwide (Source: Statista, 2023)



Green trades have become an integral factor in the activity management of banking transactions

With an aim of building a modern, creative, and harmonious society, China has adopted green trade policies of late that can go very far in the path of achievement. In this context, the economic rebalancing of China holds strong reliance on trade, and government spending (Xie et al. 2021). The banking transactions have become red hot where the investors are recently capital abroad for larger returns as many of them are in possession of SOEs or state-owned enterprises.

bonds issued in the open market to cater to various needs of the consumers”.

Besides, intelligent manufacturing is invariably linked with activity management where green accounting plays a considerable role (An et al. 2021). Additionally, the infrastructure of banks is largely based on the government policies where China hastened the development with its grand strategy. Thus, the green trades have a prominent role in carrying out different banking transactions of China. For example the formula for computing green accounting is,

Participant 3 mentioned “Investors corporations and non-sovereign corporations issue “Green Bonds,” green trade, and Green Credit Guidelines are similar to regular

$$\begin{aligned}
 \text{NDP} &= \text{Net exports (X - M)} + \text{Final consumption (C)} + \text{Net capital accumulation (I)} \\
 \text{EDP} &= (\text{X-M}) + \text{C} + \text{NAp.ec} + (\text{NAp.ec} - \text{NAp.n}).
 \end{aligned}$$

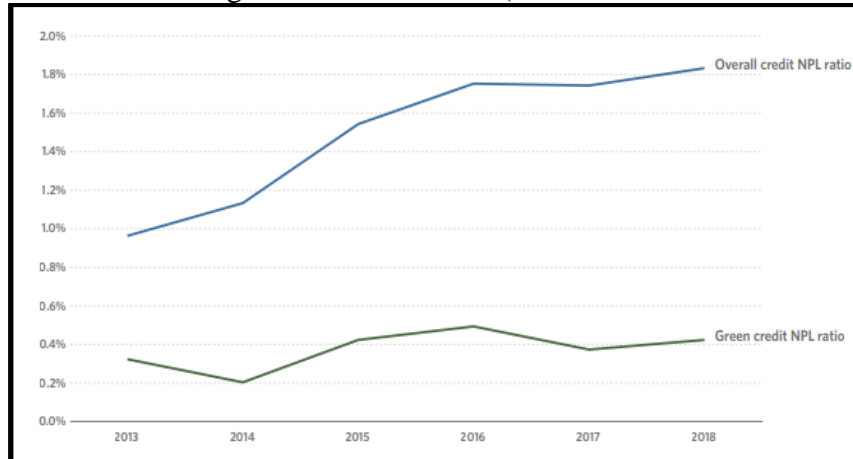
This EDP is also termed as per the Green NDP.

Green NDP = GDP- depreciation of the natural assets.

NDP is termed as green NDP or EDP only when the net capital accumulation is equals to

net capital accumulation of produced and non-produced economic assets. The net accumulation of non-produced natural assets is subtracted from this amount to get the EDP.

Figure 4: Green and non-green loans of China (Source: Azuero-Pedraza et al. 2022)



Sustainable banking is largely dependent on the green credit guidelines promoted by the Chinese banks'

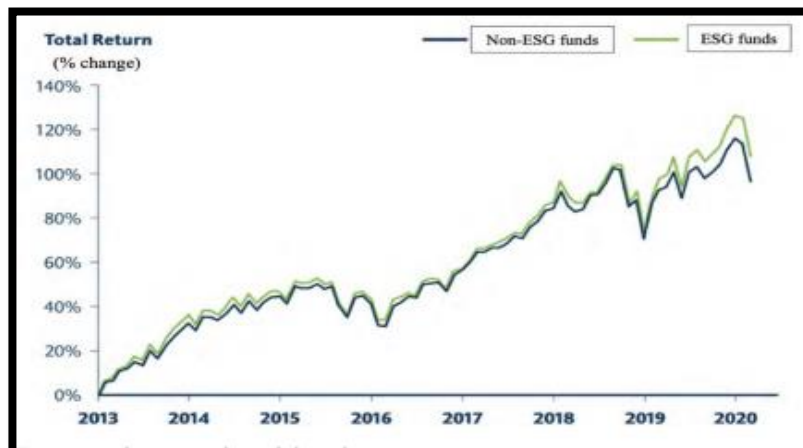
In the year 2012, the CBRC or China Banking Regulatory Commission issued the green credit guidelines to sophisticatedly encourage the banking institutions in adopting a robust social risk, and environment management. Besides, the credit activities, credit support, and credit granting are fostered with the green credit guidelines.

In this context, participant 3 opined “China Banking Regulatory Commission (CBRC) promulgated

“Green Credit Guidelines” in February 2012, calling for Chinese banking institutions to promote green credit from a strategic height”.

In addition, internal management, and information disclosure are carried out through the principles of green credit guidelines leading to sustainable banking (Hong et al. 2021). Furthermore, the SRIs or socially responsible investors along with mainstream investors have adopted the green guidelines considering the facts of ESG with a defined amount of large bonds.

Figure 5: ESG Equity performance comparison (Source: Jiang et al. 2021)

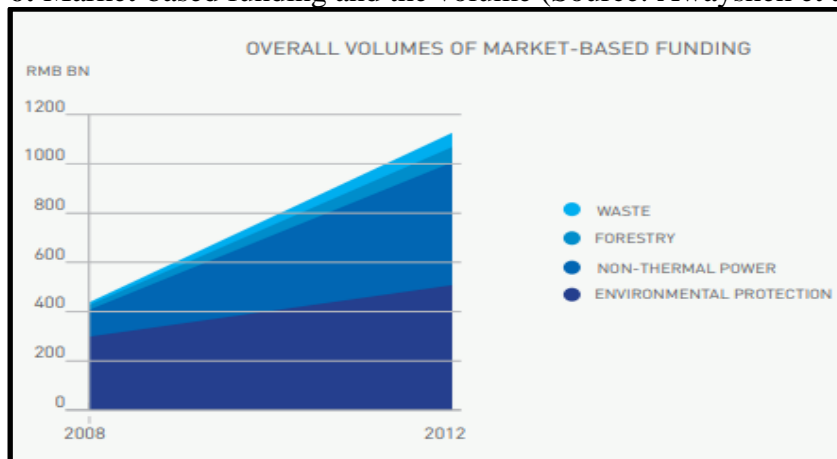


Discussion

The capital restructure is largely dependent on the financial decisions which are shrewdly chosen. The capital structure decision of China is linked with the aspects of the NI or net income approach, traditional approach, and NOI or net operating income approach. Besides, the internal financing is interconnected with debt, and equity, which

are carefully chosen (Awaysheh et al. 2020). Moreover, it has been seen that the ISI and EOI are largely based on the financial decisions that are taken by the Chinese government. The capital markets on the other hand, significantly contributed by the important financial decisions of the Chinese government to go over big.

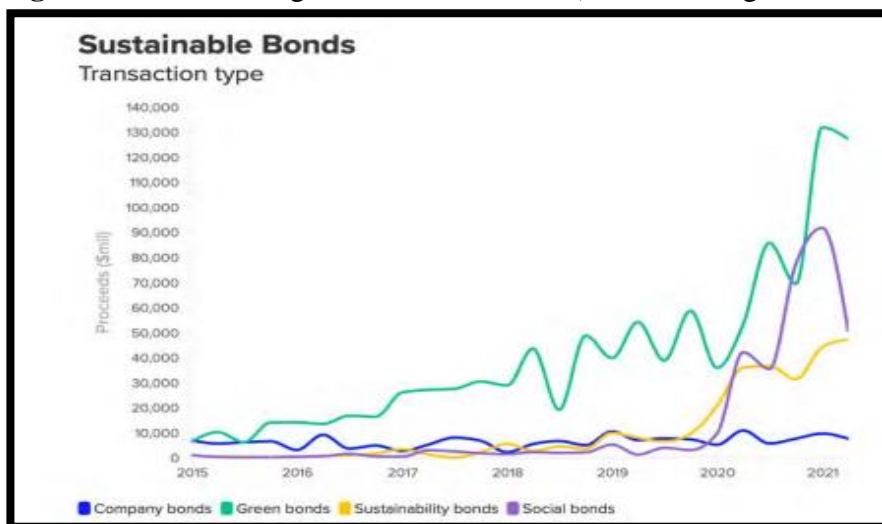
Figure 6: Market-based funding and the volume (Source: Awaysheh et al. 2020)



As depicted in the above figure, financial decisions about forestry and non-thermal power along with environmental protection are carried forward which is significant. Above all, the infrastructural developmental

strategies of China are largely based on the financial decisions that are made in relation to sustainable banking practices.

Figure 7: Sustainable green bonds in China (Source: Hong et al. 2021)



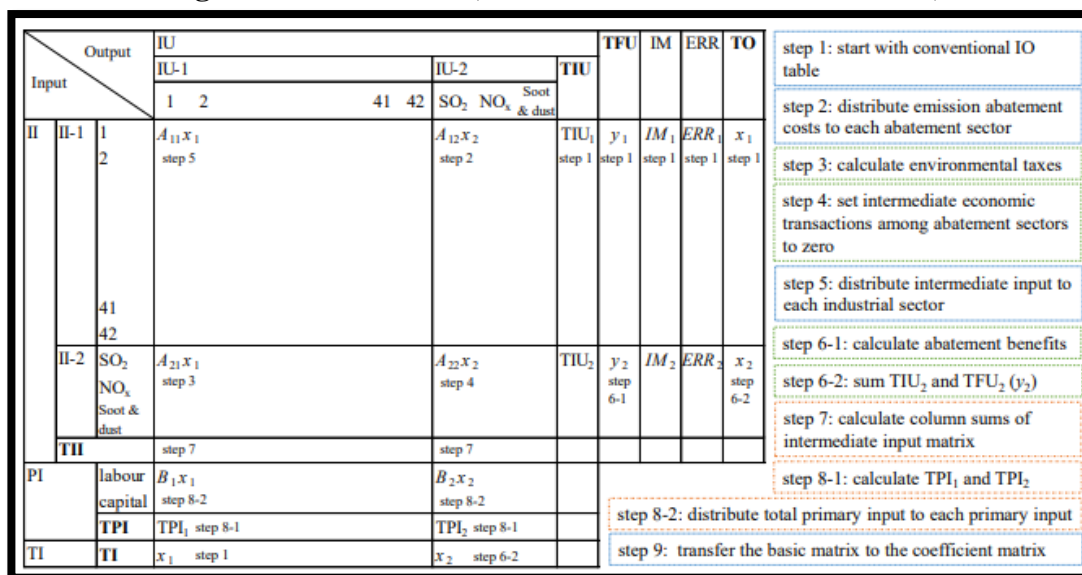
From above figure, it is evident that in 2021, the sustainability bond issuance reached \$91 billion with an increase of 131% compared to 2020. Besides, PRC has become the largest issuer in the Asian and pacific market.

Apart from these, the green trades are an integral factor in Chinese banking transactions. As imprinted by Li et al. (2020), the PBoCor People’s Bank of China created the Green initiatives as a part of SLF or the

standing lending facility, MLF or medium-term, lending facility, as well as MPA or

macro prudential assessment.

Figure 8: EEIO model (Source: Azuero-Pedraza et al. 2022)

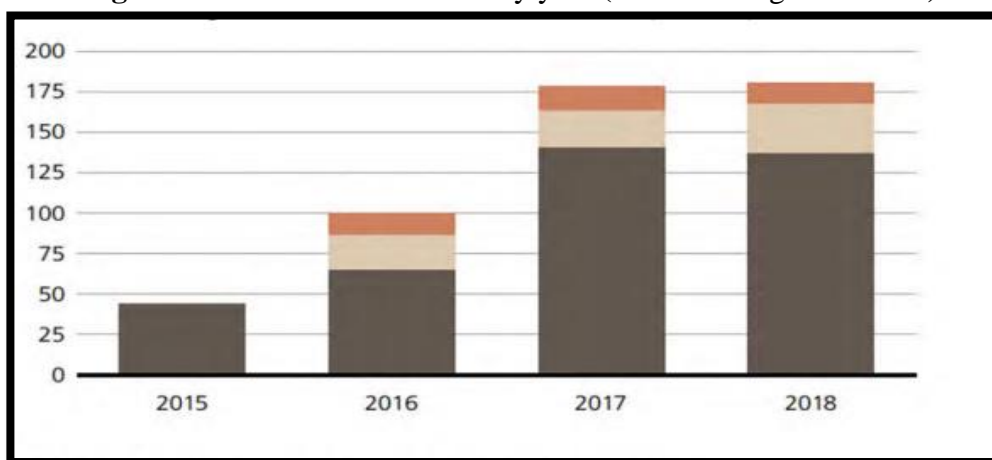


Fro the above figure, the environmentally extended input output analysis can be measured in a stepwise manner leading to the *environmentally taxation policies* that is followed in China.

Apart from these, the NPL or non-performing loans and green loans are significant to cater to various needs of the customers by increasing the Credit NPL ratio (Khan et al. 2021). Besides, the bank capitalisation, and

green initiatives are of immense significance as the banks have facilitated the sustainable transactions. Moreover, green ABS or asset-backed securities are of huge importance for the profitability of the Chinese banks to increase the activities in minimising the LDR or loan to deposit ratio (Jiang et al. 2021). Lastly, standardisation of the green performances is carried out despite the obstacles in its way.

Figure 9: Chinese Green bonds by year (Source: Jiang et al. 2021)



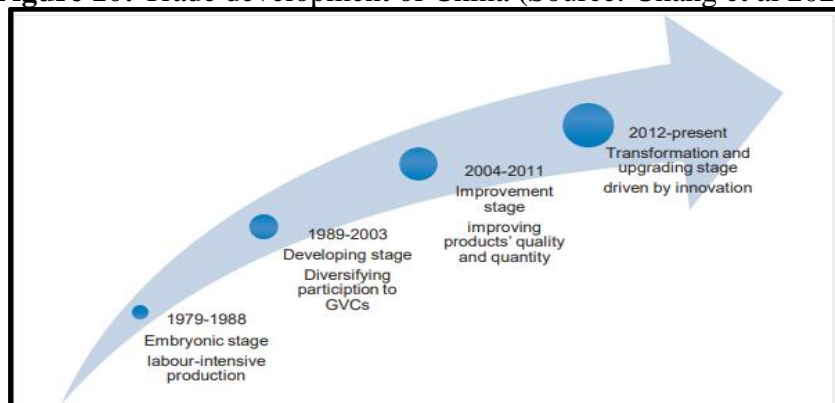
The green credit guidelines are necessary for the banks in implementing of various policies, which are linked to the benefits of the consumers in a well-directed way.

Moreover, as opined by Zheng et al. (2022), SEEA or a system of integrated economic and environmental accounting is largely based on the green credit guidelines, which are

plausible in recent years. Besides, the investors find it easier to make investments in a sophisticated manner. Moreover, the environmental taxes and green financing are inextricably connected to one another where the sustainability is further heightened to a certain extent. In addition, the provisional environmental protection law of the PRC, which was promulgated in 1979, has a high

significance in the green financing (Chang et al 2020). Apart from these, the green credit balance and proportion are monitored in a fruitful manner to effectively handle the banking transactions. In essence, the green initiatives have a long way to go with utter importance in banking transactions.

Figure 10: Trade development of China (Source: Chang et al 2020)



Conclusion

From the entire study, it has been seen that the green accounting policies are being increased in China day by day to attain sustainability in banking transactions. The green bond market of China has been an eyeball grabber, which has enticed a number of investors to contribute significantly. Besides, the social and economic values are further heightened by the shrewd decisions that are taken by the financial institutions. In this context, the ISI, and EOI are highly essential to meet the business objectives of China where the country has excelled in recent years.

Other than these, the green trades have become an influencing factor while the activity management is concerned. Besides, the SOEs of China have observed significant profit with the green trades. It has also been seen that the green trades are surmounting across the globe and the number is increased in 2022 in a significant way. In addition, the sustainable banking is promoted with the green credit guidelines, which have been sanctioned by the Chinese banks. With a surfeit of doubts and questions, the regional office of Asia along with the UNEP Pacific

entrusted the green accounting in China. In essence, the green accounting has become pivotal in fostering sustainable banking transactions across China.

Future scope

The outcome and the result of the study are of immense importance, and comprehensive, with the availability of primary resources. For this reason, there exists enough possibility and ample scope of the research, which can be explored. Furthermore, the effectiveness of green accounting in today's world can be explored. Apart from these, the green trade policies, sustainable financing, as well as the green credit system are highly futuristic and plausible. Lastly, the study has adequate scope regarding the societal, economic, and environmental value of Chinese banks, which are lately green to foster development.

Limitation

Throughout the entire research paper, the researcher did not consider any statistical information, which would be beneficial to heighten the quality. Furthermore, the primary sources have been used in the data collection whereas secondary sources or a mixed method could be beneficial to reach a

profound conclusion. Besides, the research paper did not mention the name of the banks', which could add value to the research paper. Moreover, the prospects of green accounting projects in China are not mentioned along with the economic growth and various government policies. Lastly, the mode of green accounting and its impact on the financial system of China is not well mentioned in the research paper.

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