

The Driven Factors of Green Bond Issuance by Chinese Banks

[Banban Wang, Huazhong University of Science and Technology, +86 13971210462, wangbanban@hust.edu.cn]

[Ruochan Xiong, Huazhong University of Science and Technology, d202381601@hust.edu.cn]

[Hao Zhang, The Chinese University of Hong Kong, haozhang@cuhk.edu.hk]

Overview

Existing research on green bonds predominantly views banks as underwriters. However, by examining data on green bond issuance in China over the past eight years, we find that various types of banks, particularly urban commercial banks, have increasingly become prominent issuers of green bonds. This raises critical questions: Why do banks issue green bonds themselves?

We use a green finance program in "Six Provinces and Nine Cities" as a natural experiment to address the policy factors. We also examine the government performance pressures, and bank-specific motivations in green bond issuance.

This paper contributes to the existing literature in several ways: First, it adds to the understanding of the policy motivations behind green bond issuance by banks. Second, it evaluates the effectiveness of local green finance policy directions in promoting bank issuance of green bonds.

Methods

This study uses panel data from Chinese banks for the period from 2015 to 2021. We employ a difference-in-differences (DID) model to estimate the policy impact.

Results

The overall results indicate that compared to non-pilot cities, green finance policies significantly promote the issuance of green bonds by urban commercial banks in pilot cities.

The mechanism analysis reveals that for urban commercial banks, issuing green bonds alleviates financing constraints. For governments, supporting banks in issuing green bonds aligns with their environmental preferences and performance considerations.

Conclusions

Our research contributes to identifying the driving factors behind the issuance of green bonds by urban commercial banks.

Our findings may also offer policy recommendations for green finance policies.

References