

Analysis of Green Finance and High-quality Development of the Real Economy

Lexuan Ye^{1, *}

¹School of Economics and Management, Xiamen University of Technology, Xiamen, China

*Corresponding author: 2110115113@stu.xmut.edu.cn

Abstract:

As a matter of fact, the growth of green finance has received the widespread consideration in recent years. In reality, the real economy is the lifeblood of the national economy, its development trend is more and more towards the direction of green low carbon environmental protection. On this basis, how to obtain and reasonable access to capital has become the top priority. With this in mind, this study will focuses on the influence of green finance on agriculture and pollution intensive industries and analyzes its mechanism of action, so as to provide reference for the financing of the real economy with high pollution in the future. Finally, an important conclusion is drawn that green finance can promote the manufacturing industry and agriculture. Green finance can improve capital allocation, encourage green innovation in traditional manufacturing industry and improve the green competitiveness of enterprises. This study is helpful to provide references and solutions for financing agriculture and manufacturing.

Keywords: Green finance; real economy; financial support; carbon peak; carbon neutrality.

1. Introduction

Due to the continuous emission of greenhouse gases, the global average temperature continues to rise, triggering global climate change, and global warming has become a common concern of the whole world [1]. In the context of such great changes in the ecological environment, green development is the theme of China's growth in the new era, and it is also the correct direction that global development should choose [2]. Therefore, green and low carbon is a crucial part of the world.

China will also "carbon peak, carbon neutral" goal, and "clean water and green mountains is gold and silver mountains" as an important concept. Finance is the blood of the real economy, and it is the responsibility of finance to improve high-quality exploitation of the real economy, as well as an important link to prevent financial risks [3]. Green trade emphasizes low carbon emissions, which is directly linked to the aim of "carbon peaking and carbon neutrality" [4]. With the support of a series of policies, China's green finance has been developing rapidly. Innovative products such as green funds and green trusts have been emerging continuously. The scale of green credit business and green bonds has taken a leading position in the world, providing strong support for raising funds for green industries [5].

Nowadays, the academic circle has conducted a lot of

research on green finance, and its important significance in promoting national economic development. With the increasing global attention to environmental issues, sustainable development has become a human consensus [6]. On this basis, taking the concept and current situation of green finance as the entry point, this essay will discuss green finance to promote the development of real industry. The remainder of the paper is as follows. The second part will sort out the sense of green finance and real economy and the relationship between green finance and real economy industry. The third and fourth parts will discuss the connection between green finance and the primary and secondary industries. The fifth part is the summary of the whole research.

2. Concept and Content of Green Finance and Real Economy

The Central Financial Work Conference in 2023 pointed out that the growth of green and low carbon industries, including ecological and low-carbon agriculture, is inseparable from the support of green finance. How to write a good green finance to help agricultural ecological and low-carbon development has become an urgent issue of The Times.

2.1 Concept and Content of Green Finance

The early definition of „green finance“ combines envi-

ronmental protection and finance, aiming to promote sustainable development. Since then, the concept has gradually evolved from the earliest „environmental finance“ to today’s „green finance“. The main research aspect of green finance focuses on the financial financing of green industry, which is the organic integration of sustainable development and financial development. [7].

Green finance generally refers to financial products, financial markets and financial policies related to environmental protection and sustainable development, including environmental finance, climate finance and carbon finance in the traditional sense, as well as sustainable finance and environmentally responsible investment.

On the micro level, guide financial institutions and investors on environmental responsibility. The design and pricing of various green financial products, the investment decisions of green securities markets and green projects are essentially processes in which financial institutions and investors participate in environmental protection and assume environmental responsibility. There are many ways for financial institutions to undertake environmental responsibility, including the launch of green financial products (e.g., green credit), industry self-regulatory codes voluntarily established by international financial institutions (e.g., the Equator Principles), and socially responsible investment funds that take into account the environmental responsibility level of the underlying assets when investing. On the one hand, green finance refers to providing financing support for enterprises’ clean projects; on the other hand, it refers to the capital supply of pollution reduction projects, so as to realize the allocation of green funds [8]. On the macro level, the core of green finance is the integration of financial and economic green development. Some scholars use the green total factor productive forces index to measure whether the economy has high-quality development, and analyze the influencing factors of green financial development on green investment and credit fields, which shows that the level of financial development plays an obligation character in the high-quality economic development of a country [9].

2.2 Current Situation of Development of Real Economy of the Country

The real economy is the lifeblood of the country. The real economy includes the primary industry (agriculture, animal husbandry, forest industry, fishery), the secondary industry (manufacturing, mining, water, electricity, gas industry etc.), The tertiary industry is mainly composed of direct service industry and industrial service industry.

At the beginning of the People’s Republic of China, the industrial output value only accounted for 10% of the agricultural and industrial output value, but by 1952, the

proportion increased to 26.6%. Until 1978, the real economy growth up rapidly and in 2010 the value added of manufacturing industry of the country surpassed America and became the first manufacturing country in the world. However, the result of such extensive development is essential to the country’s environment and energy have brought excessive consumption. Therefore, reducing the pollution value of high-polluting industries is one of the most important issues in the society today.

2.3 Relationship Between Green Finance and the Real Economy

The real economy is the backbone of the national economy, the focus of economic development, and the main battlefield where digital technology comes into play. Promoting the deep integration of green finance and the real economy is the inherent requirement to achieve high-quality development in the new stage [10]. Green finance is an integrated economy, which can increase the stickiness between various industries and the financial industry, and is a fusion agent for the development of other industries and improve the efficient allocation of resources. Finance is related to the overall situation of national development, while the real economy is the lifeline supporting national economic development. Only the integrated development of the two can promote the steady growth of the real economy.

3. Research on Green Finance and Primary Industry

Compared with traditional industries, green finance focuses more on green, low-carbon, environmental protection and maintaining ecological balance. Green finance can improve financial support for cutting-edge agricultural technology production, and in the process of modern agricultural development, talent training, purchase of raw materials, purchase machinery and equipment all need to cost a lot of funds [11]. Green finance is beneficial to enhancing the availability of funds needed for green agriculture, and targeted financial support can improve the financing efficiency of demand subjects, which is benefit to rapidly boosting the green transformation of agriculture and realizing green agricultural development. In 2021, Guangdong Provincial and Regional Finance Bureau will arrange 75 million yuan for the promotion Fund (Rural Revitalization Special) project of key agricultural industry projects supported by District Agriculture and Rural Bureau [12]. The policies are listed in Table 1.

First, green finance has an incentive effect on talent introduction. The formation of job advantages at the level of job income and security can attract more talents to devote themselves to agricultural technology research and devel-

opment. The financial support provided by green finance makes it possible to attract talent with high salaries. Second, in terms of technology research and development, green financial bonds can provide precise support for agricultural development. Green finance promotes the

promotion of new agricultural machinery by subsidizing the purchase of green agricultural machinery to reduce the purchase cost of new agricultural operators and extending the warranty period of new green agricultural machinery and equipment by promoting insurance.

Table 1. Policies introduced by the Chinese government in recent years.

Year	Policy name	formulation unit
2016	Opinions on Giving Full Play to the Role of Agricultural Policy Finance in Supporting Forestry Development	China Development Bank, Agricultural Development Bank of China
2016	Reform Plan for Establishing a Green and ecology-oriented Agricultural Subsidy System	Ministry of Finance and Ministry of Agriculture
2017	Notice on Promoting Financial Support for Green Agricultural Development	Ministry of Agriculture
2021	List of Green Bond Projects (2021 Edition)	People’s Bank of China, Development and Reform Commission, China Securities Regulatory Commission
2022	Notice on Promoting Policy-Oriented Development Finance to Support the Construction of Agricultural and Rural Infrastructure	Ministry of Agriculture and Rural Affairs, National Rural Revitalization Administration

Green agriculture covers a wide range, mainly including the planting, transportation, and processing of crops. Therefore, the growth of green agriculture is a vital topic. The input of green production factors, the use of technology and the R&D and introduction of green equipment can better reduce agricultural carbon emissions [13]. In addition, some banks in China are extending from green financial services for enterprises to green financial services for individuals, for example, green inclusive agricultural and forestry loans are provided to meet the ecological production of farmers and forest households [14]. Keeping in mind the greatness of the country, Pucheng County Sub-branch of Agricultural Development Bank of China firmly grasps this trend and insists on leading financial “living water” to the fields. Finally, typical insurance products that help improve ecological carbon sink capacity have also been launched in the field of green insurance.

4. Research on Green Finance and Manufacturing Servitization

At present, there are mainly two views charge at green finance on the manufacturing industry. Green finance can optimize capital allocation, encourage the traditional manufacturing industry to carry out green innovation, so as to improve the green competitiveness of enterprises, improve ESG rating, and enhance corporate image and technological transformation and upgrading [14]. For manufacturing, green finance has a inhibiting effect [15]. Green finance has a restraining form the manufacturing industry. To a certain extent, green finance can improve enterprise’s sense of responsibility, but also greatly increase the cost of the pollution. This will also increase the expenditure of enterprises, squeeze out the production cost of enterprises, and lead to the weakening of the productive link of enterprises, inhibiting the development of enterprises. A sketch of the green finance is shown in Fig. 1.

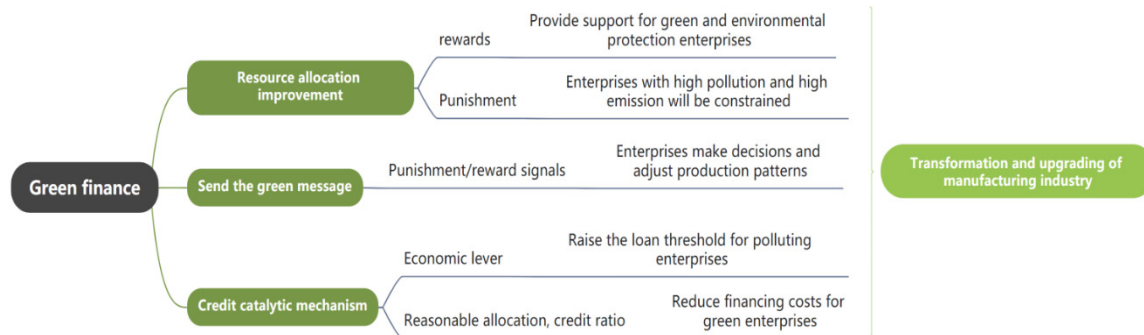


Fig. 1 A sketch of the green finance.

Green finance will promote green technology innovation in the manufacturing industry. Financial deepening can promote the further accumulation of scientific and technological knowledge, trigger financing innovation, and solve the financing difficulties of science and technology enterprises [16]. To develop green finance, the most fundamental task is to protect the environment and climate.

Green technology innovation enhances the manufacturing industry reforming promotion. Comprehensively improving the green technology innovation capability is not only a significant factor for the manufacturing industry to stand out, but also the significant driving force for the manufacturing industry reforming promotion. Since GSTI is a new form of technological innovation. It can also improve the situation of ecological environment damage in the production process of enterprises, so as to perform the purpose of effective use of resources and energy.

The primary goal of green technology innovation is to enhance the green transformation of manufacturing. Manufacturing technology innovation has realized the development process of pollution-free, low-energy, recyclable and clean manufacturing products throughout their life cycle. On the one hand, manufacturing enterprises promote the improvement of product quality and reduce product cost through green technology innovation, so as to meet the green requirements in the whole process of raw materials from production to transportation, waste recycling and products, so that the manufacturing industry can achieve low carbon energy saving and high economic benefits. On the other hand, through the green technology innovation of the process, the energy consumption and carbon emissions are reduced, so as to reduce the damage of the total production activities of the manufacturing industry to the ecological environment, and realize the green environmental protection, ecological benefits of Chinese manufacturing industry.

To sum up, green finance plays a positive character in the manufacturing industry, also, green technology innovation is a key factor to the transformation and upgrading of the manufacturing industry.

5. Conclusion

To sum up, the significance of this paper is to study the mutual promotion between “green finance” and real economy in recent years. In the view of the current academic community, the main research focuses on the research between “green finance” and agriculture in the “primary industry”. In terms of agricultural modernization, green finance has provided a lot of financial support for many small and micro industries and promoted technological innovation in agriculture. However, there are still gaps in the researching on the connection entre “green finance” and “the tertiary industry,” as well as forestry and fishery in the “primary industry,” so future research can focus on the development of this field. In terms of further research, the government should encourage the development of green finance, formulate reasonable financial policies to favor high-polluting industries, improve industry supervision, increase subsidies and other measures to impact the real economy. With the development of green finance, it will inject strong energy into the real economy.

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