

The Impact of Green Credit on Bank Risk and the Moderating Effect of Climate Risk Management

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Abstract

Whether green credit affects commercial bank risk-taking is critical to bank risk management and the overall green transformation of China's economy and society. Based on the micro data of 38 commercial banks in China from 2012 to 2024, this paper uses two-way fixed effects model to empirically test the impact of green credit on bank risk and empirically test the moderating effect of climate risk management by obtaining climate risk management indexes through text mining and text analysis of social responsibility reports of commercial banks. The research results show that commercial banks carry out green credit business will significantly reduce their risk-taking level. Through heterogeneity analysis, the dampening effect of green credit on bank risk is significantly positive for large banks and state-owned banks. The mediating effect test shows that green credit can affect the risk-taking level of commercial banks through the channels of bank bank reputation and loan quality. The mechanism effect analysis finds that commercial banks can enhance the reduction effect of green credit on commercial banks' risk-taking level through active climate risk management. The findings of the study help to further reveal the channels through which green credit affects the risk-taking of commercial banks, and provide reference for banks to carry out green credit business and strengthen risk management.

Keywords

Green Credit, Bank Risk, Climate Risk Management, Moderating Effects