

Abstract

This study examines how green credit policies, specifically the green credit guidelines (GCGs) implemented in 2012, influence corporate sustainable innovation. This study employs a quasi-natural experiment approach, utilizing data from Chinese listed companies between 2005 and 2023, to examine the differential impact of the GCGs on high-polluting enterprises versus energy-efficient enterprises. The study uses a Difference-in-Differences (DID) methodology to explore how policy-induced changes in financing conditions affect firms' innovation behaviors, particularly in terms of green patent applications. This study uses a mechanism to understand the role of R&D investment and access to long-term financing in driving these changes. And this study considers heterogeneity across firm ownership types and industry competition to investigate the varying effects of the GCGs. By identifying the causal pathways through which green credit policies influence innovation, this study contributes to the understanding of how environmental policies shape corporate behavior and innovation outcomes.