

We Will Create a Demonstration Zone for Green Finance Reform and Innovation in Southern Sichuan and Western Chongqing—Accelerate the Pace of Financial Integration in the Chengdu-Chongqing Twin Cities Economic Circle

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Abstract: *The southern Sichuan and western Chongqing region is the area with the most prominent regional advantages, strongest carrying capacity, and best industrial foundation in the Chengdu-Chongqing region outside of the dual-core areas of Chongqing and Chengdu. Since the issuance of the “General Plan for Promoting the Integrated Development of Southern Sichuan and Western Chongqing” by both Chongqing and Sichuan, this region has gradually begun to explore and integrate related industries, achieving positive results. However, due to national financial management policies, the integration of finance in the southern Sichuan and western Chongqing region has been relatively slow. How to accelerate the integrated development of finance in the southern Sichuan and western Chongqing region has become an important issue at present. Establishing a national green finance innovation and reform demonstration zone provides a new solution. This paper starts from the current status of green finance nationwide and in the southern Sichuan and western Chongqing region, analyzes the policy, standard, and supply issues existing in the creation of a green finance innovation and reform demonstration zone in the southern Sichuan and western Chongqing region, and proposes corresponding countermeasures and suggestions, providing a reference for accelerating the financial integration development of the Chengdu-Chongqing dual-city economic circle.*

Keywords: Green finance, Chengdu-Chongqing Twin City Economic Circle, Financial reform.

1. National Practice of Green Finance Reform and Innovation Demonstration Zones

The construction of green finance innovation and reform demonstration zones is a top-level design and significant measure for the country to strengthen and improve the development of green finance. Since 2017, pilot programs have been launched in seven provinces (municipalities, regions), including Zhejiang, Jiangxi, Guangdong, Guizhou, and Xinjiang, accumulating valuable practical experience and achieving certain results for the advancement of green finance across society. Taking Guangzhou, Chongqing, and Quzhou, Zhejiang as examples, after Guangzhou established a national green finance innovation and reform experimental zone, its green loans grew by 2.4 times over five years, with non-performing green credit far below the overall loan non-performing rate. Eleven typical cases were included in the People’s Bank of China’s first compilation of “Green Finance Innovation and Reform Case Studies.” After Chongqing created a green finance innovation and reform demonstration zone, its green loans and green bonds at the end of June 2022 were 2.7 times and 2.4 times those before the creation, respectively. Sixteen financial institutions set up specialized departments or branches for green finance, launching more than 180 green financial products. After Quzhou, Zhejiang established a national green finance innovation and reform experimental zone, its green loans increased by 3.8 times over three years, accounting for over 35% of all loans. Four local standards, including the “Green Enterprise Evaluation Standard” and the “Green Project Evaluation Standard,” were formed. Since 2019, Quzhou has ranked first in the Yangtze River Delta city cluster’s green

finance development competitiveness evaluation for two consecutive years. It is evident that establishing national green finance innovation and reform experimental zones positively promotes the development of green finance, benefiting various regions.

2. Feasibility and Necessity of Creating a Demonstration Area for Green Financial Innovation and Reform

The Sichuan South and Chongqing West region is the most important support zone for high-quality development in the Chengdu-Chongqing area outside of Chongqing and Chengdu, a functional area for cross-regional industrial integration, an important gateway for opening up and cooperation in the Chengdu-Chongqing region, and a high-quality living and habitable area upstream of the Yangtze River. It has the necessity and feasibility to create a green finance innovation and reform demonstration zone. First, it is necessary for the protection of the Yangtze River ecosystem. The Sichuan South and Chongqing West region is located upstream of the Yangtze River and bears the responsibility of maintaining ecological system safety and balance. By creating a green finance innovation and reform demonstration zone, increasing the supply of green funds can provide more green financial support for projects along the river, helping enterprises and institutions reduce solid, water, and gas emissions and pollution, promoting ecological protection in the Yangtze River Basin from the source. Second, it has business development potential. The Sichuan South and Chongqing West region is primarily industrial, with all eight districts and cities except Zigong and Neijiang having an industrial share

of around 50% in their tertiary industry structure, showing a clear manufacturing characteristic. However, compared to major manufacturing regions, there is significant room for growth and substantial funding needs in green finance. For example, in Jiangsu, another major manufacturing region, green loans accounted for 16.67% of total loans in 2023, while the Sichuan South and Chongqing West region's figure was less than half. Third, it has a foundation for green finance practice. The "General Plan for the Construction of a Green Finance Innovation and Reform Pilot Zone in Chongqing Municipality" was approved by the State Council on August 19, 2022, and jointly issued by the People's Bank of China and five other ministries. The six districts in western Chongqing have been fully incorporated into the green finance innovation and reform pilot zone. Yibin in southern Sichuan has been designated as a provincial "Pilot Area for Ecological Priority and Green Low-Carbon Development" and a "Second Batch of Provincial Green Finance Innovation Pilot Areas." Other regions are also actively applying to become green finance innovation pilot areas, laying a solid foundation for creating a demonstration zone for green finance innovation and reform.

3. Development Status of Green Finance in Southern Sichuan and Western Chongqing

The regions of southern Sichuan and western Chongqing are actively carrying out green finance pilot projects, which have certain characteristics in terms of business scale, business innovation and development synergy, and generally show a good development trend.

(1) Green finance "has scale." By the end of 2023, the balance of green loans in the southern Sichuan and western Chongqing region reached 155.437 billion yuan, with an average growth rate exceeding 60%, accounting for 7.58% of the total green loans in Sichuan and Chongqing; there were 21 green bonds totaling 9.05 billion yuan, representing 6.76%, both second only to Chongqing and Chengdu.

Table 1: Statistics of loan data in southern Sichuan and western Chongqing in 2023

area	Loan (100 million yuan)	Green loans (100 million yuan)
Yibin	4593.25	393.16
Luzhou city	3617.28	333.81
Neijiang City	1709.16	99.84
Zigong	1995.04	148.64
subtotal	11914.73	975.45
Rongchang	538.87	69.42
Tongliang	515.04	79.88
Yeongcheon	895.90	76.44
Qijiang	661.63	130.67
Götsu	1201.30	145.24
sciopody	631.00	77.27
subtotal	4443.74	578.92
amount to	16358.47	1554.37
Chongqing	56730.17	7168.60
Sichuan	104692.50	13327.22
amount to	161422.67	20495.82
South of Sichuan proportion	11.38%	7.32%
Yuxi proportion	7.83%	8.08%
Total percentage	10.13%	7.58%

Data source: local statistical bulletins, personal collation

Table 2: Green bonds in southern Sichuan and western Chongqing in 2023

code	Issued amount (billion)	Durati on (years)	publisher
1780241.IB	10.00	5.00	Sichuan Naxing Industrial Group Co., LTD
2080348.IB	5.30	7.00	Neijiang Construction Engineering Group Co., LTD
2080349.IB	0.30	7.00	Neijiang Construction Engineering Group Co., LTD
2080377.IB	24.00	8.00	Yibin Development Holding Group Co., LTD
178087.SH	2.10	7.00	Luzhou Hui Xing Investment Group Co., LTD
178399.SH	8.00	3.00	Chongqing Wansheng Economic and Technological Development Zone Development Investment Group Co., LTD
178589.SH	2.00	2.00	Chongqing Wansheng Economic and Technological Development Zone Development Investment Group Co., LTD
178764.SH	4.90	7.00	Luzhou Hui Xing Investment Group Co., LTD
196557.SH	8.00	3.00	Chongqing Wansheng Economic and Technological Development Zone Development Investment Group Co., LTD
180465.SH	0.40	2.36	Sichuan Sanjiang Huihai Financial Leasing Co., LTD
180464.SH	1.05	1.85	Sichuan Sanjiang Huihai Financial Leasing Co., LTD
180463.SH	0.36	0.36	Sichuan Sanjiang Huihai Financial Leasing Co., LTD
180466.SH	0.09	2.85	Sichuan Sanjiang Huihai Financial Leasing Co., LTD
2280420.IB	14.00	7.00	Chongqing Dazu State-owned Assets Operation and Management Group Co., LTD
182784.SH	5.25	5.00	Neijiang Investment Holding Group Co., LTD
199544.SH	0.90	1.00	Zigong Bus Group Co., LTD
199546.SH	0.90	3.00	Zigong Bus Group Co., LTD
199545.SH	0.90	2.00	Zigong Bus Group Co., LTD
199547.SH	0.90	4.00	Zigong Bus Group Co., LTD
199549.SH	0.25	5.00	Zigong Bus Group Co., LTD
199548.SH	0.90	5.00	Zigong Bus Group Co., LTD

Data source: Ifind, personal collation

(2) Green finance "innovative." Yibin City and Zigong City have launched innovations in green financial products. In Yibin, local financial organizations have innovatively developed 38 green financial products, including 28 project loan products, 6 working capital loan products, and 4 bill-related products, effectively alleviating the shortage of green financial products and the narrow scope of promotion; Zigong has created the "Carbon Easy Loan" financial product, developing "Low-Carbon Development-Carbon Footprint Linked Loans" and "Carbon Reduction-Carbon Performance Tracking Loans," facilitating the first 7.8 million yuan sustainable development-linked loan in the province. Yongchuan District of Chongqing has innovated its model, implementing interest subsidies for inclusive micro and small enterprise green credit in 2022, achieving a fiscal subsidy of 119,500 yuan, which leveraged loans totaling 142 million yuan from 23 enterprises, significantly boosting the enthusiasm of small and micro enterprises for green transformation. By using green credit disbursement as a reference indicator and linking it to competitive deposit placement with government funds, this initiative has

innovated the fiscal reward and subsidy policies and regulatory assessment mechanisms for green finance in Chongqing. Luzhou City introduced the western region's first personal green living points system—"Green Bud Points"—with over 340,000 registered users, earning it a place among the top ten public participation cases in the "Beautiful China, I Am an Action Taker" national competition and making it to the Forbes Global Blockchain 50 list. Jiangjin District of Chongqing has facilitated cross-border green financial transactions for banks, registering a \$1 million foreign debt for a textile company in Jiangjin District, marking the first pilot business of cross-border financing convenience under carbon emission rights pledges for high-tech and specialized innovative enterprises in Chongqing.

(3) Green Finance "Works in Synergy". In April 2024, Yibin and Luzhou jointly issued the "Yibin-Luzhou Comprehensive Modern Circulation Strategic Pivot City Construction Plan." The plan proposes to focus on building a comprehensive modern circulation strategic pivot city, innovate green finance, promote sustainable development, actively explore the establishment of regional green enterprises (projects), clearly establish white lists for financial leasing and commercial factoring, and innovate with "carbon footprint," green funds, green credit, green bonds, green insurance, and green enterprise listings to promote sustainable development. It is evident that the southern Sichuan region has aligned its development efforts and is collectively advancing the growth of green finance.

4. Problems Existing in the Creation Process

Although the current southern Sichuan and western Chongqing region has the foundation for creating a green financial reform and innovation demonstration zone, it still faces problems such as policies, standards and supply that need to be solved urgently. If not properly solved, it may cause difficulties in overall promotion or even failure.

(1) National financial regulatory policies restrict development and need to be broken through. According to the Commercial Bank Law of the People's Republic of China and the State Council's Implementation Opinions on Promoting High-Quality Development of Inclusive Finance (Guo Fa [2023] No.15), for risk control purposes, national financial regulatory policies do not support or encourage financial institutions to operate in different regions. At the same time, they strictly limit and regulate the cross-regional operations of small and medium-sized banks. Regional commercial banks such as city commercial banks, rural commercial banks, and village banks, which have no out-of-area branches, are almost unable to provide services across cities and districts. For example, Chongqing Rural Commercial Bank has no branch in Yibin and cannot operate there. Additionally, the level of green finance development varies between southern Sichuan and western Chongqing, with differences in financial regulatory policies. The internal interest distribution mechanisms of financial institutions need improvement, and an integrated development pattern has yet to form.

(2) There are differences in the criteria for recognizing green finance, which need to be unified. The southern Sichuan and

western Chongqing regions are located in the west, where the development of green finance is relatively short. In the context of an incomplete national policy system, there are neither national standards (such as green stocks or green funds) nor regional unified standards available. For example, the western Chongqing region has three unified green finance standards in Chongqing: forestry carbon sink expected income rights pledge (or mortgage) loans, pollution discharge rights pledge (or mortgage) financing, and green financial services for the green automotive supply chain. These standards and performance evaluation systems for green financing by banking institutions do not exist in the southern Sichuan region. This objectively leads to discrepancies in the analysis, recognition, and evaluation of some green products (projects), making it difficult to reach certain areas.

(3) The supply of green financial products is relatively limited and needs innovation. In terms of funding and product supply, the southern Sichuan and western Chongqing region still primarily relies on green loans, accounting for over 90%, mainly targeting large and medium-sized enterprises, with insufficient coverage for start-ups and small businesses. Other green products such as green securities, green funds, green leasing, green trusts, and green wealth management are just beginning to emerge, with relatively limited offerings and services. In terms of supply entities, apart from local financial institutions, city commercial banks, and rural commercial banks, most large and medium-sized banks, insurance companies, and securities firms in the southern Sichuan and western Chongqing region are branches, which have limited autonomy in financial product innovation and weaker capabilities. They naturally lack in product design and model application, leading to a slight deficiency in both supply entities and supply capacity.

5. Relevant Countermeasures and Suggestions

5.1 Plan the Layout and Promote the Establishment of a Demonstration Zone for Green Financial Reform and Innovation

First, promote the establishment of a coordination body for the "Fourth Pole" of finance in the Chengdu-Chongqing region, allowing financial elements to flow across the southern Sichuan and western Chongqing areas. This will support the creation of a national green finance innovation and reform demonstration zone in these regions, attracting licensed financial institutions, innovative fintech companies, venture capital funds, and private equity funds. By linking capital with industrial resources, this initiative aims to set a new benchmark for the integration of green finance and industry. Second, encourage the national financial regulatory authority to establish a Financial Development Committee for the Chengdu-Chongqing region within its internal structure, and have headquarters of financial institutions set up coordinating organizations or specialized agencies at the head office level. These entities will coordinate regulatory differences between the two regions and balance the interests of financial institutions in southern Sichuan and western Chongqing, fostering an integrated financial development pattern. Third, develop a green finance development platform for southern Sichuan and western Chongqing, establishing a cross-regional Green Finance Development Association

(Alliance). Relying on this association (alliance), efforts will be made to form a common green finance development model in the region, enhancing regional balanced development.

5.2 Promote Multi-dimensional Efforts to Form Unified Regional Standards

First, promote the formulation of green finance regional standards for southern Sichuan and western Chongqing. In line with the characteristics of the region, classify existing green financial products and release the “Directory of Green Finance Standards for Southern Sichuan and Western Chongqing,” coordinating various financial institutions within the region to form a unified standard for green financial products. Second, explore the establishment of a regional evaluation system. Develop regional evaluation standards for different entities such as low-carbon factories, low-carbon parks, small and micro enterprises, and financial institutions. Formulate recognition methods for green enterprises, green projects, and green financial institutions in the region, and explore the establishment of a unified regional green finance evaluation system. Third, encourage the National Financial Regulatory Administration and provincial branches of the People’s Bank of China to develop distinctive guiding documents. For example, based on the Huzhou area in Zhejiang, formulate the “Management Standards for Transition Finance Loan Business” and the “Construction and Management Standards for Carbon Neutrality Banks” for southern Sichuan and western Chongqing, enabling financial institutions to act boldly and confidently, leading by example through the formulation of standards.

5.3 Innovation-driven and Diversified Supply of Green Financial Products

First, we aim to build a green finance supermarket, innovate financial service models, and collaborate with financial institutions, industrial consulting firms, and real economy companies in southern Sichuan, western Chongqing, and other regions to form comprehensive green finance service capabilities. This will provide diversified integrated services such as “commercial banking + investment banking, debt + equity, domestic + overseas, finance + industry” for enterprises and public institutions in the region. Second, we will vigorously innovate non-bank credit-based green financial products. In addition to green bonds and ESG-themed funds, we can also draw inspiration from the “Sustainable Supply Chain Financing Program” model between HSBC and Walmart. Financial institutions in southern Sichuan, western Chongqing, and other regions can jointly launch green supply chain financial products, matching financing interest rates based on the carbon reduction performance of core green enterprises’ suppliers. Third, we will enrich the supply entities of green finance. Besides setting up dedicated green finance departments within existing financial institutions, we can also refer to the German Environmental Policy Bank model. Cities along the upper Yangtze River can jointly establish the “Yangtze Ecological Bank” to specialize in green lending and green bond business. We will continuously explore the convergence points between industrial advantages and green finance, launching innovative green financial products.

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