



The impact of green finance on environmental degradation in BRI region

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Abstract

The Belt and Road Initiative (BRI) is one of the largest infrastructure projects in the world, accounting for more than 30% of global GDP and 60% of world population. The economic growth of BRI member countries can be improved significantly, attributable to the successfulness of the infrastructure projects. The increased economic growth indirectly leads to higher energy consumption and environmental damage. In response to this, the BRI established a new concept and version of the project, namely green BRI. Thus, this study aims to examine if green finance plays a significant role in mitigating environmental degradation in the BRI region. Utilising a Generalised Method of Moments approach, we find green finance is negatively and significantly correlated with environmental degradation, suggesting green finance play an essential role to reduce the deterioration of environmental quality, while enhancing economic growth at the same time. In conclusion, BRI member states should continue promoting green finance by implementing incentive schemes, such as subsidising interest rates for the green loan, reducing corporate tax and establishing green credit guarantee scheme. Besides, in order simultaneously enhance economic growth, promote sustainability and achieve the 2030 Sustainable Development Goals, both governments and private sector should work hand in hand to promote green transformation of BRI.

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