Green Washing Mechanism Analysis of Research Based on the Green Bond Market

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Abstract
In order to vigorously promote the process of "carbon peak" and "carbon neutrality" strategy, green finance is an important starting point, to promote the development of green financial products and services, and to guide investors to invest in green projects. Green bonds are an important tool to realize green finance, but there is a green cleaning phenomenon that cannot be ignored in the green bond market. It is the means that bond issuers mistakenly guide investors to invest to reduce financing costs and enjoy policy dividends, which limits the normal play of the green investment function. This paper will focus on the green cleaning mechanism of green bond market, which is divided into green bond market third party institutions to provide investors with false signals, green cleaning and non-substantial green merge three mechanisms, the essence of the three mechanisms is information asymmetry, this paper will be from reduce the phenomenon of green cleaning to avoid measures, help the healthy development of green financial market.

Keywords
Green Bond Green Washing Green Certification, Green Whitewash, Green Merger and Acquisition

1. Introduction
The 19th National Congress of the CPC clearly stated that we should accelerate the establishment of a legal system and policy guidance for green production and consumption, and establish a sound economic system for green, low-carbon and circular development. Green finance can guide economic development to a low-carbon path, and green bonds are an important tool to realize green finance. In order to help the healthy development of green finance, China gives policy and financial support, which thus attracts some bond issuers to green washing non-green projects and enjoy the privilege of green projects under the cover of green. The green washing of the green bond market mainly refers to the behavior of purposefully misleading or deceiving investors actively implemented by the bond issuing companies, thus reducing financing costs and accelerating financing
efficiency. And green bond market green washing usually has two kinds of performance, one is through the general projects or products as green environmental protection, and enjoy the dividend of green policy, the other is under the guise of green project financing or declare green credit and preferential subsidies (Lin Wanfa et al., 2022), but actually did not put money into the development of green projects, but will raise capital investment or development yield higher cashback faster project.

And issuing enterprises usually with third parties, green whitewash, green mergers and acquisitions for green washing, its causes investors difficult to judge the authenticity of the information issued bonds, and misleading deceive investors' investment, lead to substantial green project financing funds, thus limits the normal play of the green investment function. The essence of these three mechanisms is information asymmetry. The three mechanisms that lead to the green bond market green washing are detailed below.

2. Three mechanisms leading to green washing

2.1 Third parties in the green bond market provide false signals to investors

The third-party agencies in the green bond market can be divided into third-party green certification agencies and bond rating agencies. There are similarities and differences between the two agencies in helping bond issuing companies in green washing.

2.1.1 False certification of the third-party certification bodies

Green bond evaluation and certification refers to the process and behavior (Ma Lingyuan & Wang Shuchen, 2022) of evaluating the certification body to meet the relevant requirements of green bonds, implement the evaluation, review or certification process, issue the evaluation, review or certification conclusion, and issue the report. After the green certification, the bonds belong to the green bonds, and the institution gives the corresponding rating according to whether the bonds meet the green related requirements and the degree of green.

Third-party certification is divided into pre-issuance certification and post-issuance certification. Since the research significance of unsuccessful green bonds is not significant, this paper mainly focuses on the latter. The way of independent post-issue certification by the third party is very independent, which is relatively similar to the audit in essence. Its biggest limitation is that it is generally unable to effectively review and monitor the on the environmental effect of the project. So there are enterprises to enjoy the dividend of green policy, and seize the loophole, and agree with the certification body, and the certification body in order to retain customers in the market competition and obtain greater interests will fake bonds of green certification, false green certification fraud and misled investors, lead to capital flow to insubstantial green projects. Therefore, this phenomenon of false third-party green certification will mislead and guide investors to invest, and consumer investors' feelings will make the green bond market produce the phenomenon of "bad money drives out good money", which is a kind of green washing mechanism.

2.1.2 False high of bond credit rating

Bond credit rating is a measure of the default probability of the discovered bond by the bond credit rating agency, which gives the bond credit rating according to the default probability. Bond credit rating is also divided into the issuer's purchase credit rating and the investment rating of investors. From the perspective of the issuer, we only need to consider the issuer's purchase credit rating. Through the research, it is found that in the market environment based on the information asymmetry in advance, the credit rating of bonds has "rating packaging", "rating purchase", "rating pandering" and other phenomena (Lin Wanfa et al., 2022). The main reason for the above three phenomena is that the bond rating agencies in the competitive market to retain customers, obtain greater interests, and will cater to the needs of the enterprise to buy the cost of rating, and promised to issue bonds of the unreasonable requirements of—improve bond credit rating and then lead to the bond credit rating is artificially high. A high credit rating will win the favor of investors, leading to capital flow to non-green projects, which cannot achieve the purpose of optimizing the market capital allocation.

2.2 Green whitewash

Through the study of the third-party green certification evaluation literature, it is found that the evaluation and certification of the third-party certification bodies has two basic assumptions: (1) the assumption that the external environment is relatively stable; and (2) the information quality reliability assumption. Enterprises may conceal and falsely report the disclosure of information, so for the reliability of the relevant information quality of enterprises, this paper puts forward the second mechanism of green bond for "green washing"—green whitewash.

Green whitewash refers to the bond issuing enterprises using vague, ambiguous, exaggerated and symbolic language
to "whitewash" when releasing information about their own environment to the outside world, giving investors a kind of illusion that bond issuers are extremely trustworthy and investing, and then bond issuers are more likely to raise funds. On the other hand, even if the amount of environmental information disclosed by bond issuers is large, the quality is generally low in (Liu Lian, 2017). As Zhang Keqin proposed green whitewash usually shows part of the issuers through false propaganda, whitewash their environmental behavior, and to establish a good green public image (Shen Hongtao et al., 2014), but some investors cannot distinguish the authenticity of the environmental information in the company's so-called green projects, so as to achieve the issuers enjoy green policy dividend or green project privilege, its essence is a kind of green washing behavior.

Because issuers whitewash behavior and investors information asymmetry, misguided investors' investment, and because green washing bonds itself higher than green bond yields, so under the same green information disclosure conditions, according to the rational economic hypothesis, some investors will choose higher yield green washing bonds, thus extrusion better accounting information quality equal green information disclosure of substantial green bonds, thus the phenomenon of "bad money out good money", lead to a large amount of money flow to green washing project.

2.3 Insubstantial green mergers and acquisitions

Green merger and acquisition mainly refers to a purposeful merger and acquisition conducted by a listed company in order to obtain or expand the green resources, green technology or green management experience needed for the development of the enterprise. In short, green mergers and acquisitions are essentially the acquisition of green enterprises to successfully transform into low pollution and low energy consumption under the goal of environmental protection, energy conservation and emission reduction.

Green merger and acquisition is a convenient way for heavy pollution enterprises to obtain the required green resources, green technology and green management experience more quickly. Because heavy pollution enterprises can obtain the required green technology and green resources more quickly through green mergers and acquisitions, Save the cost of R & D investment and then gain greater benefits, Improve business efficiency, And can quickly obtain the raw materials needed for energy conservation and emission reduction of (Zhang Keqin, 2018); At the same time, it can also signal through acquisition announcements, To convey to external investors the good image of bond issuers actively assuming social responsibility and protecting the environment, To gain the trust of investors, Attracting investment from investors, Therefore, in contrast, heavy polluting enterprises are unwilling to choose the internal investment (Qiu Jinlong, 2018) with long investment cycle, low investment return rate, less economic benefits and more difficult to know for external investors.

However, when the green mergers and acquisitions of heavily polluting enterprises are only out of tool motivation, and they want to realize their own interests to a greater extent under the cover of green mergers and acquisitions, in fact, they do not improve environmental awareness, realize source governance and green transformation. Therefore, the green mergers and acquisitions under the tool motivation are not substantive green mergers and acquisitions. On the contrary, when heavy polluting enterprises carry out green mergers and acquisitions altruistically to save energy and emission reduction, and transform into low-energy consumption companies, its essence is a real green transformation (Qiu Jinlong, 2018).

Therefore, when the green mergers and acquisitions of heavily polluting enterprises are non-substantive green mergers and acquisitions, its essence is a kind of "green washing" behavior, pursuing their own greatest interests under the cover of green enterprises.

3. Inspiration

The essential information asymmetry of these three mechanisms that lead to frequent green washing phenomena in the green bond market. Issuing green washing bonds enterprises in the information advantage position, these companies to the quality and quantity of disclosed information have certain control, investors are difficult to judge the authenticity of the information disclosed, on the other hand, green washing bonds compared to the same interest rate maturity structure of ordinary green bonds yields significantly higher, it will attract investors more investors, investors lead to investors will invest in green washing bonds, and funds for the green projects, achieve the issuers to enjoy the green policy dividend goal. Based on the above analysis, we get the following enlightenment.

3.1 With the help of the Internet, to build an information sharing platform

The essence of frequent green washing phenomenon is information asymmetry, and the information provider and the information demand side are in a serious unequal position. In order to improve this phenomenon, the Internet can be used to build an information sharing platform, so that investors can enjoy real first-hand information, and let the public, the media and non-governmental organizations to supervise, and urge the healthy development of green finance.
3.2 We will strengthen supervision and improve relevant systems

Some enterprises dare to enjoy the dividend of green policy under the cover-up of green, but a large part of the reason is that China's supervision in this respect is not in place, and the improvement and implementation of punishment measures have not been implemented. Therefore, in order to avoid the problem of frequent green washing phenomenon, strengthen the supervision of green project applications, green bonds audit and the place of financing funds, at the same time, improve the relevant system, let the punishment landing, greatly reduce the space for green washing, so that the real green projects can be fully integrated funds to be implemented and developed in an orderly manner.

3.3 Provide investment education for investors

Less investment education for investors in our country, some investors are not investment but speculation, and no personal reasonable investment planning, it is easy to lead to investors to invest a little blindly or follow suit or not do some research on their own investment projects, lead to large investment risk, can not optimize the capital allocation of the market goals.

3.4 Cultivate national awareness of green and environmental protection

On the one hand, we should play the role of non-government, actively popularize the concept and importance of green development, and promote the healthy development of green finance; on the other hand, we should actively encourage people to buy green products, and certain economic preferential policies can be designated and adopted to achieve this purpose. Let the public fully understand the importance of green environmental protection, and help the development of green finance.

3.5 Standardize enterprise information disclosure (Zhang Yue & Zhou Yingheng, 2021)

Through the above analysis, it is clear that the quality and quantity of environmental information disclosed by enterprises cannot meet the standard, which is also the source of market information asymmetry. In the future, certain laws can be formulated to ensure the quality and quantity of environmental information disclosed by enterprises, so that the information disclosed by enterprises can not mislead or deceive investors, create a good market environment, and help the healthy development of green finance.

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