

Lenders boost profits with short-term financial products that help tech firms improve cash flow

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Commercial banks are looking at ways to boost growth by helping green technology companies as the financial sector and China's economy go through a transformation.

Lenders such as China Zheshang Bank Co, or CZBank, are addressing corporate cash-flow problems by rolling out an array of financial products for environmentally friendly firms in the high-tech sector.

This move into green finance will also drive profit growth amid an economic upgrading, academics said.

"Commercial banks have a major responsibility to develop green finance to support the transformation and upgrading of China's economic structure," said Zeng Gang, director of banking research at the Chinese Academy of Social Sciences' Institute of Finance and Banking.

"This is also a great opportunity for banks to realize sustainable development and meet their own demands for asset structure optimization," Zeng added.

To achieve these goals, lenders such as China Zheshang Bank have launched creative financial solutions and services for green companies.

The Hong Kong-listed commercial lender based in Hangzhou in East China's Zhejiang province, provided a special banker's acceptance service, or short-term financial solution, to Beijing SPC Environment Protection Tech Co.

With nearly 100 patented technologies, SPC specializes in industrial emission control, energy saving and comprehensive utilization of resources.

The tech firm is a sector leader in industrial flue gas desulfurization, denitrification and dust removal. In 2011, the company was listed on the Shenzhen small and medium-sized enterprise board.

"As the problem of smog intensifies in the Beijing-Tianjin-Hebei region and nearby areas in recent years, our company will strengthen technological research and development," said Li Qilin, secretary of the board at SPC.

"We will keep promoting flue gas control of the thermal power industry, and expand our business into other industries, such as iron and steel, cement and petrochemistry," Li added.

During its daily operation, SPC usually receives large-value banker's acceptances, or BAs, from project owners. Often it needs to pay its suppliers with small-value BAs.

To help companies such as SPC solve the problem of a mismatch among BAs in varying amounts,



People make inquiries about banking services at the China Zheshang Bank booth during a financial exhibition in Beijing. SHA LANG / FOR CHINA DAILY

Banks create innovative green funds

CZBank developed a special service. This allows corporate clients to gather the BAs they received into a pool and use the acceptances as collateral for a line of credit.

"Building a layout in the green finance market is an important direction of transformation for commercial lenders. It will help them expand channels to make profits," said Lian Ping, chief economist with the Shanghai-based Bank of Communications Co.

After receiving a source of credit by CZBank, companies can apply for short-term loans with the duration of less than a year or a month. They can also apply for the issuance of letters of guarantee, or small-value BAs, breaking up large-value ones to pay suppliers.

Up to October 2017, CZBank had issued more than 5,000 BAs for SPC with a cumulative value of 1.17 billion yuan (\$180 million).

Using BAs as collateral, the company received a credit line of nearly 500 million yuan and later obtained loans of the same amount.

"By turning non-negotiable bank-

er's acceptances into active BAs for payment, CZBank minimized our company's needs for private financing, thus reducing our debt ratio and financial leverage," said Cai Xiaofang, finance director of SPC.

"Besides, the loans it offered were really helpful in solving our temporary liquidity problem," Cai added.

The bank's lending rate is much lower than other options and will help companies cut financial costs by 20 percent, according to Zhang Yongyan, vice-general manager of the corporate banking department at CZBank's Beijing branch.

At the end of March 2017, the commercial lender had attracted more than 11,000 clients with its BA and asset pool services. The total amount of BAs and assets exceeded 570 billion yuan, which helped clients receive cumulative financing of more than 700 billion yuan.

"By liquidizing remnant assets, these companies reduced around 20 percent of financing through traditional approaches and saved a total of 500 million yuan in interest (payments)," Zhang said.

Other commercial banks are also devoting more resources to accelerate the development of green finance.

In his speech at the opening of the 19th National Congress of the Communist Party of China in October 2017, General Secretary Xi Jinping highlighted the importance to reinforce the concept that "green mountains and clear water are as good as mountains of gold and silver".

In response to the government's call for transformation of the economic growth pattern, Industrial Bank Co approved project loans worth 150 million yuan in May 2017 without collateral.

This was for a new energy company of China Huadian Corporation in Anxi county, in East China's Fujian province. It followed the approval of loans worth 353 million yuan for the same project in 2016.

The company plans to build 31 2-megawatt wind turbines at a wind farm in Anxi and has finished installing 21.

After the project is completed, the

farm will generate 112.01 gigawatt hours of electricity a year, saving 36,500 metric tons of standard coal yearly, as well as cutting the annual emission of sulfur dioxide by 39.2 tons and carbon dioxide by 103,900 tons.

Up to October 2017, Fuzhou-based Industrial Bank had offered green finance services to 13,583 companies and provided funding totaling 1.38 trillion yuan at a compound annual growth rate of 47 percent since the end of 2012.

It is estimated that the projects supported by the commercial lender will save 28.91 million tons of standard coal and 409 million tons of water a year. These will also cut the annual emission of carbon dioxide by 83.35 million tons.

This is equivalent to closing 188 100-megawatt thermal power plants or stopping 100,000 taxis from running for 39 years.

"Next, we will deepen our research on a standardized green finance system," said Luo Shiyi, general manager of the green finance department at Industrial Bank.