Fintech: Paving the way for sustainable development

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As India's fintech landscape continues to experience unprecedented growth, it is not only transforming the financial sector but also advancing sustainability

Fintech, or financial technology, is revolutionising the financial sector by expanding accessibility, reducing costs, and boosting efficiency while fostering an equitable financial environment. It has assisted in overcoming the shortcomings of traditional financial services. India is presently witnessing a fintech transformation marked by an impressive growth trajectory. With a market size of $50 billion in 2021, it is expected to surge to $150 billion by 2025. It boasts 17 Fintech Unicorns, making it the third largest fintech ecosystem globally.

The regulatory landscape is robust, with the government's initiatives and support in mobile connectivity; policies like Direct Benefit Transfer and Atal Pension Yojna have accelerated the digital revolution, bringing citizens, especially in rural areas within the digital financial services domain. The Reserve Bank of India (RBI) Payments Vision 2025 outlines ambitious goals including a substantial increase in digital and payment transactions. The fast expansion of Fintech puts forth optimistic growth numbers, it can also be pivotal in advancing sustainability by leveraging digital innovations to promote environmentally and socially responsible financial practices.

India's fintech ecosystem per se has seen significant growth initiatives that support sustainable development goals, enhance financial inclusion and foster green economic activities. The path of Green Financial Measures encompassing green investment tax credits, mandatory environmental disclosure and reporting, and development of sustainable financial standards has experienced a steady and robust expansion from 188 to 784 Measures and a Year-to-Year growth from 40 per cent to 100 per cent between 2015 and 2022. Financial institutions adopt environmental and social governance (ESG) criteria in their investment decisions and provision of Sustainable Finance such as Green Bonds to encourage allocating funds to environmentally friendly projects.

Fintech has the potential to support the transition to a circular economy by providing innovative financial solutions. This includes circular supply chains by offering financing based on the value of their Recovered and Reuse materials; business models that facilitate leasing and sharing of goods rather than ownership; and providing them data analytics to track the lifecycle of their products from production to disposal to reduce wastage. Furthermore, there is also provision of crowdfunding for renewable and green projects particularly solar and wind energy initiatives.

The banking sector, which plays an instrumental role in funds dispersion is increasingly incorporating green investment policies, such as providing sustainable loans and adopting environmentally friendly banking practices. Similarly, insurance companies are integrating environmental risk assessment into their underwriting processes and product development.

The government has launched several schemes and initiatives to promote green financing such as the Green Energy Finance Scheme and the National Clean Energy Fund. The RBI has also issued guidelines for green bonds, which are designed to finance environmentally sustainable projects. The SEBI has issued guidelines for sustainability reporting by listed companies, where companies must disclose their ESG performance for greater transparency and accountability.

India's fintech sector is leading the way in advancing sustainability through the development of novel financial services that promote social and environmental objectives. Given the favourable regulatory environments and ongoing technical progress, the fintech industry is in a strong position to increase its influence on sustainable development in India.

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