Green Finance through FinTech: A Study on Digital Platforms Promoting Sustainable Investment Behaviour in India

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Abstract

The infusion of FinTech into green finance has emerged as a major facilitator of environmentally responsible investing. In India, various digital platforms such as ESG-focused investment tools, carbon footprint tracking apps and digital green bond portals are changing the way individual investors take financial decisions. This study, which is based on secondary data, assesses how FinTech contributes to promoting sustainable investment behaviour among Indian consumers. Analysis of industry reports, regulatory publications and existing literature suggests that while awareness and interest in sustainable finance are growing, the acceptance of FinTech for green investing is still in its infancy. Obstacles such as low ESG literacy, lack of standard metrics for sustainability and uneven digital access continue to limit a larger outreach. The study concludes by suggesting policy measures and technological interventions for a more conducive and impactful green FinTech ecosystem.

Keywords: Green Finance, FinTech, Sustainable Investment, ESG Investing, Digital Financial Platforms, Financial Behaviour

Introduction

India is at a crossroads, trying to balance an agenda for rapid economic growth with pressing global environmental sustainability requirements. Under this situation, the importance given to green finance is rising. Green Finance includes all those financial flows that are in some form beneficial to environmental objectives, such as renewable energy source, climate-resilient infrastructure, and low-carbon technologies.

Concurrently, the development of FinTech is changing the financial services landscape as it allows faster, cheaper and personalized access to financial products. This digitization is now inducing changes in green finance, with tools for sustainable finance user empowerment.

The purpose of this study is to investigate the role of FinTech in promoting sustainable investing within India. Using secondary data, the study examines the types of platforms that exist, trends established by the platforms, and the platforms' impact on the financial behavior of retail investors in India.

Objectives of the Study

1. To explore the various FinTech platforms in India that support green or sustainable investment.
2. To assess trends in ESG (Environmental, Social, and Governance) investing through secondary sources.
3. To evaluate the influence of digital platforms on individual investment behavior related to sustainability.
4. To identify barriers and opportunities for FinTech-driven green finance in India.

The idea behind green finance is to channelize financial movements toward sustainability goals. OECD (2017) stated that it is one of the pillar supports for the transition toward a low-carbon economy. FinTech works well with this as it offers digital solutions for sustainability in accessibility, transparency, and efficiency.

The recent studies reveal that FinTech can elicit such behavior by reducing entry barriers and providing individualized investment journeys. Mobile apps and robo-advisors now offer portfolios focused on ESG, letting investors see their environmental impacts in close-to-real-time status (Arner et al., 2016). More studies like those by Jha and Ghosh (2021) in the Indian context have quantified recorded linkages of FinTech use with environmental awareness, especially among urban millennial.

However, advancements still have a long way to go. The Reserve Bank of India (2023) states that while rapid changes are occurring in the setup of FinTech platforms, the lack of standardized ESG data and user unawareness is barricading its hitherto unexploited potentialities in green finance. Digital divides remain for the time being as the eastern and western parts are urban. Such divides would continue to hinder the adoption of technology.

Methodology

The current research employs a descriptive research design as its approach, while secondary data obtained from several reputable sources serves as an effective data collection method. The following types of data were reviewed:

1. Publications and reports by SEBI: RBI and NITI Aayog.
2. Financial news articles from The Economic Times, Mint, and Business Standard. Peer-reviewed journal articles from UGC CARE-listed and Scopus-indexed journals.
3. Industry insights from Indian FinTech companies like Zerodha, Scripbox, and Groww.
4. Publicly available ESG and green finance datasets from Morningstar and SEBI. The study did not have the primary data. Still, it very much concentrates on existing information to infer trends and patterns through insights.

Key Findings

Digital Platforms for ESG Investment

Examples of these digital investment platforms are Zerodha's "Coin" and Scripbox available in India. Incorporating ESG filters would allow users to select the mutual funds or stocks aligned with their objectives of sustainability.

Retail Green Bonds

Green bonds were not truly privately sold to an individual investor since before, but it is now being commercially available to retail investors making it now open for accessibility through such FinTech platforms as Wint Wealth and GoldenPi with their offerings of bonds under the theme ESG.

Digital Literacy Impact

Digital literate respondents more likely visit FinTech platforms to look for that ESG investment, SEBI (2023), and PwC India (2022) point out. However, a large portion of retail investors still lacks general awareness of ESG concepts.

Behavioral Nudges

Now, some platforms have taken to employ gamification techniques and eco-friendly nudges that could facilitate the modification of user behaviour. ETMoney and Jar are among the apps that can reward and mount up feedback through responsible investing and other green financial habits.

Discussion

The fintex tools introduced for users can do wonders toward fulfilling green finance goals in making finance much more accessible, transparent, and personalized. They are pushing for sustainable behaviour among tech-savvy youths and first-time investors. But here are the hindrances:

- ESG Standards Black Hole: For the absence of specific benchmarks, there is no similarity between the different platforms on ESG rating and green credentials, so they are confusing and incredible.
- Awareness Gap: The easy availability of tools has not made them popular and familiar to many; it made them rather unaware of the investments and their environmental impact.
- Urban-Rural Divide: The adoption of digital platforms meant towards sustainable finance is still urban-centric, although the lesser countries might be financially deprived.

Sustainable investment practices in India have already started getting influenced by FinTech along with providing digital tools for transparency and personalization. Well, green FinTech is still not very popular and is expected to become a strong potential force for introducing environmental responsibility within the financial sector. However, to achieve this, it should raise investors' awareness, establish common ESG data and make these platforms viable for larger sections of the population.

Recommendations

1. Regulatory Support: Set the stage for enabling FinTech innovations in green finance through tax incentives as well as compliance frameworks.
2. Investor Education: Conduct strategic awareness programs, especially among retail investors, to improve understanding of ESG concepts for retail investors.
3. Efficient ESG Metrics: A unified set of standardized sustainability rating systems can be established to achieve credibility enhancement.
4. Access for All: Close the gap of inequality in access to financial literacy and mobile access in the rural segment.

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