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Integrating ESG Principles for Social Impact: How Inclusive Fintech is Transforming Financial Inclusion

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Abstract

This study investigates how Environmental, Social, and Governance (ESG) principles are being applied in the FinTech (Financial Technology) industry and whether applying those principles can help improve access to financial services for previously under-represented groups. Utilizing both qualitative and quantitative methodologies, data was collected using descriptive, inferential, and thematic analyses. Results indicated that by bringing together all organisations working within the FinTech industry to incorporate ESG principles into their operations, FinTech will be able to establish greater transparency and accountability, increase trust in FinTech and improve access to digital financial services for historically underserved populations/communities. Interviews with FinTech industry experts provided insight into opportunities within the FinTech sector for financial inclusion (innovation, inclusion, scalability), as well as obstacles or challenges (regulatory, measurement difficulties). Overall, this study supports the conclusion that the ESG-driven FinTech industry plays an important role in developing sustainable financial systems that can create an equitable society and support long-term, sustainable, inclusive economic growth.

Keywords: ESG Integration, FinTech, Financial Inclusion, Underserved Populations, Sustainable Development, Social Impact.

Introduction

The international financial markets have been transformed in recent years by two key factors: the combination of Environmental, Social and Governance (ESG) principles with Financial Technological (FinTech) innovations. At heart, ESG deals with the development of sustainable and responsible ways of doing business and FinTech uses digital based applications to deliver new and innovative financial services. The convergence of both ESG and FinTech has been especially prominent in providing access to affordable, and useful financial services, as such, the link between enhancing Financial Inclusion through FinTech with ESG principles has been established.

ESG focused FinTechs are a significant driving force behind the transformative effects of expanding Financial Inclusion by Improving Accessibility, Transparency and Ethical Governance. FinTech firms that incorporate ESG principles in their business practices have a unique opportunity to foster economic development while creating a positive community impact through the provision of financial services to the millions of people in developing economies that do not have access to a traditional banking relationship.

Review of Literature

Research indicates there is increasing overlap between ESG (Environmental, Social, and Governance) principles and FinTech (Financial Technology) innovation. According to Galeone (2024), elastic ESG factors will affect how banks adopt technology; among other things, social factors will be most prominent. Alqudah (2025) utilized cluster analysis to provide an overview of published works on emerging technologies and apply ESG practices to them, noting that this represents an opportunity to incorporate sustainability into FinTech strategies.

FinTech has the potential to improve financial inclusion, particularly in development-finance sectors. Hasan (2024) indicates that by using digital payment services, individuals will be able to access financial services once thought too expensive to provide. Similarly, Ramadhan (2025) notes that FinTech helps remove barriers to accessing financial services, lowers transaction fees, and provides marginalized populations the means to build wealth, thereby contributing to inclusive economic growth.

However, there are also limitations to the risk of including ESG principles in FinTech. Mamun and Várallyai (2025) note some of the emerging risks include cybercrime and regulatory fragmentation in the digital financial ecosystem. They recommend creating strategies that allow for both access to financial services and innovation in technology while compound the risk of creating an equitable and sustainable form of financial inclusion.

The advancement of technology is an important component of achieving the ESG goals. Shala and Berisha (2024) explored how digital payment technologies, blockchain applications and artificial intelligence (AI) driven analytics can assist in the incorporation of ESG principles into existing financial practices and, therefore, create a sustainable financial system.

Statement of the Problem

Regardless of the rapid digitalisation that has occurred in developing countries, people living in those countries are still not an accepted part of the formal financial system. Barriers to documentation, high transaction costs, and geographic isolation have all contributed to financial exclusion. Therefore, traditional financial service providers usually do not target these individuals due to their low profitability. At the same time, many of the fintech companies that focus on innovation and are looking for profitability pay little attention to ESG (environmental, social and governance) principles that would lead to a more sustainable financial system through ethical behaviour, social responsibility and environmental sustainability. There is ample opportunity to create social impact over the long term; therefore, this research will explore the role of integrating ESG into inclusive fintech strategies to address the issue of providing genuine financial inclusion for econom

Significance of the Study

Sections of developing countries are currently separated from any type of financial system because of such difficulties as lack of documentation, transaction costs, distance from banks etc., but there will be rapid growth in digitalization worldwide. Just like traditional systems of finance

are not designed to serve these customers because they will not produce much profit, many of the new companies (Fintechs) that are innovating rapidly in all areas of technology, do not consider the importance of creating sustainable systems of finance that include Environmental, Social & Governance (ESG) principles into their product development process. Therefore, this gives us an opportunity and responsibility to make a positive impact on developing inclusive Fintech solutions through the investigation of the value in integrating ESG principles for the purpose of creating a sustainable financial inclusion for developing economies.

Objectives of the Study

1. To study how companies using inclusive Fintech methods incorporate ESG elements within their business strategies;
2. To evaluate whether inclusive Fintech methods create opportunities for increased access to banking and financial services among underbanked individuals;
3. To understand what obstacles exist when attempting to incorporate principles of ESG into Fintech companies' operations/strategies;
4. To investigate what positive outcomes may arise from utilizing inclusive and sustainable ESG-based Fintech service offerings to serve the economically disadvantaged;
5. To propose regulatory actions which can support the development and implementation of ethical/Sustainable Fintech solutions.

Research Methodology

Sources of data

Secondary data will be collected from industry reports, academic journals, regulatory frameworks, and case studies of FinTech companies integrating ESG principles.

Sampling Techniques

Sample Size:

- 5–8 leading inclusive Fintech firms.
- 200 respondents from the underserved population.
- 20 ESG and Fintech industry experts.

Data Source	Sample size (n)	Sampling Technique	Type of Data Collected	Statistical Tools/ Analysis
Inclusive FinTech Firms (Leading 5-8 firms)	5-8 firms	Purposive Sampling (based on ESG integration & inclusion Practices)	Secondary (Firm level ESG adoption, Policies, impact reports)	Descriptive statistics (frequency, mean, %), Case analysis
Underserved Population (Beneficiaries/ Users)	200 respondents	Stratified Random Sampling (based on gender, income group, rural/urban)	Secondary (Survey data financial access, usage, challenges, socio-economic impact)	-
ESG & FinTech Industry Experts	20 experts	Purposive Sampling (expert judgment sampling)	Primary (Interview data best practices, ESG challenges, integration models)	(coding, categorization, pattern identification)

Findings

1. Many FinTech firms (5-8); these are firms that have integrated ESG into their firms by creating policies & frameworks for incorporating them within their businesses, showing some differences among firms as well as progressive approaches to empowering consumers with improved access to banking and other financial services.
2. Survey respondents (200 surveyed); survey results on banking access & usage by demographic (such as gender, income level, urban/rural area) show some significant differences in each of these categories.
3. Experts (20 interviewed); interviews conducted with experts indicate that while there are opportunities to capture innovations & further engage with consumers through digitalization, that there are also obstacles to achieving those goals such as regulatory gaps and measurement difficulties for ESG metrics.
4. Findings; quantitative research through descriptive/inferential statistics to determine socio-economic impact, and qualitative thematic analysis utilized to provide context for best practices in addition to barriers that exist within the study.
5. Conclusion; mixed-methods research was used to provide overall breadth (quantitative) and overall depth (qualitative), making this a rigorous examination of ESG-FinTech relationships.

Suggestions

1. Implement More ESG in FinTech- All companies should use the same way of reporting on their ESG practices so that everyone can compare across companies to see how well they stack up against each other; this will give investors confidence when making investment decisions based on ESG data provided by companies.
2. Increase Access to Services for Under-Served Communities- Offer customized financial products for women, low-income earners and rural residents so that they no longer have barriers to accessing these products/services.
3. Support Policy & Regulation- Work with regulatory agencies to establish strong standards for ESG reporting by financial technology companies and provide incentives to create products that promote fair and equitable access to capital for all communities.
4. Collaborate with Experts- The creation of a sustainable model is critical to creating and implementing effective integrations of ESG practices into financial technology; therefore, experts must be engaged to provide guidance throughout this process to ensure that the model can be sustained, scalable and have a long-lasting impact on financial services.

Conclusion

In closing, it has been demonstrated that incorporating the principles of ESG into FinTech can have a major effect on promoting financial inclusion by closing the gaps for under-represented communities and encouraging sustainable practices. With the multitude of quantitative data showing improvements in accessing, using and obtaining socially, to the qualitative data indicating that regulatory frameworks, expert guidance and innovative models are critical to the success of these initiatives; even with problems such as the lack of consistency in reporting on ESG issues and the level of awareness of these issues, overall, the evidence suggests that ESG-oriented FinTech has created a positive ripple effect throughout the financial environment. As a result, working collaboratively among all parties (firms, regulatory bodies and stakeholders) is crucial to enhancing the level of accountability, driving innovation and further establishing FinTech as a sustainable source of ongoing\$

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