

Sansad TV Perspective: Green Finance

In the series Sansad TV Perspective, we bring you an analysis of the discussion featured on the insightful programme 'Perspective' on Sansad TV, on various important topics affecting India and also the world. This analysis will help you immensely for the [IAS exam](#), especially the mains exam, where a well-rounded understanding of topics is a prerequisite for writing answers that fetch good marks.

In this article, we feature the discussion on the topic: Green Finance.

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Guests:

1. Nehal Mota, Co-Founder, Finnovate
2. Anand Singh Bhal, Former Principal Economic Advisor, Govt. of India
3. Subhomoy Bhattacharjee, Consulting Editor, Business Standard

Context: Global Fintech Fest.

Highlights of the discussion:

- Introduction.
- Overview of Green Finance.
- Opportunities of Fintech Sector in Green Finance.
- Measures taken by Government.
- Associated Challenges.
- Way Ahead.

Introduction:

- India today is among the fastest growing fintech markets in the world, with market size of 31 billion dollars in 2021, and this is expected to reach \$1 trillion by 2030.
- The Union Finance Minister has called upon the fintech industry to take advantage of specific opportunities in green finance and play its part in building a sustainable financial environment.
- At the Global Fintech Fest, the Minister asked fintech players to break the distance barrier and have more engagements with the government and its agencies to enhance trust.
- RBI Governor also expressed commitment to supporting innovation for fintech companies but also cautioned that it should not be at the cost of consumer interest.

Overview of Green Finance:

- The brick-and-mortar banks were the places that provided loans to the general public. However, with the coming of Fintech, there is a revolution in the financial markets.
- The fintech sector is expanding at a massive rate and has changed the concept of banks for a vast majority of the population.
- The fintech sector typically lends for activities that are climate positive as they don't just lend to big corporations, but to small traders, households, farmers, etc. in rural areas. These activities are proactively sustainable activities.
- These sectors naturally have a strong relation with sustainable development, thus implying that their activities can become Green Finance sources.

Opportunities that the Fintech sector sees in Green Finance:

- The Fintech sector has great potential as evident from the fact that Paytm has reached a vast customer base of approximately ten crore customers in a very short span of time. This is in sharp contrast to the figures that the brick-and-mortar banks reached. For example, the State Bank of India and the HDFC took a lot of time to reach this customer strength figure.
- Moreover, the reach of the sector to the remotest region of the country and providing the facility to small and medium farmers and traders in the villages of India itself is a big opportunity.
- Providing access to credit facilities in rural India reduces the burden in the large cities and readily helps in environmental commitments like reducing pollution.
- Furthermore, it helps India in moving towards [Green Economy](#).
- There is a shortage of funds globally to achieve [Sustainable Development Goals](#); the fintech sector can play an important role in this endeavour as:
 - It has the potential to reduce the information asymmetry between lenders and borrowers.
 - It can provide last-mile connectivity.
 - The technologies like Blockchain and Artificial Intelligence used by Fintech companies can also expedite the entire process of loan disbursement
- The kind of information that the Fintech companies can gather will help in addressing the issue of Green Washing of loans, which are resorted by various corporations. Fintech companies with their agile technology can help in preventing false claims of green investments.

Measures taken by Government:

- The government of India has taken various steps in this regard, like the Climate Change Financial unit set up in the Ministry of Finance.
- Moreover, the authorities have committed to open dialogue at the stakeholders' will. Dialogue and discussions can happen at all levels and at all times, thus, driving India towards a mature economy.

Associated Challenges:

- The very first issue is financial illiteracy. It is the responsibility of the sector to essentially educate the first generation of customers.
- India has been a country with low per capita income for a long time and the lending business or the lending sentiments are full of apprehensions. Thus a sort of mistrust exists among the public.
- The paperwork or the documents like Income Tax returns, and assets information makes the process of accessing financial credit complex for small lenders. Fintech firms should work in this regard and find innovative solutions that can bring down the complexity of the procedure.
- Financial support to emerging economies to transition is another roadblock to moving ahead in Green Finance.

Way Ahead:

- Some kind of light regulation should be adopted as finance is a delicate matter in the economy of the country. A procedure of supervision thus needs to be established.
- The government should ensure that there is ample scope for the Fintech companies to innovate keeping in mind that the customers' interest is paramount.
- The rules need to be fair and transparent.
- Moreover, it is very important to spread awareness across the industry as well as consumers about what constitutes green finance. For instance, parameters like mode of transportation, the waste disposal system, kind of energy used for manufacturing should be taken into account while considering green financing.
- The fintech lenders should proactively question the companies regarding their climate commitments. This can have a huge impact at the very initial stage.
- Banks should come up with special funds which are only available for Environmental, Social, and Governance (ESG) compliant companies.
- The best practices across the world can also be adopted. For instance, a Swedish firm has woven in its investment metrics the climate change and sustainability aspects.

Conclusion:

The Chief Economic Advisor of India has highlighted that the Fintech sector is expected to reach \$1 Trillion by 2030. India thus has to rely on the resilience and strength of this sector to achieve sustainable growth.