Chapter 7
Navigating Sustainability in Digital Financial Services:
Transforming the Future

Choi-Meng Leong
Swinburne University of Technology Sarawak Campus, Sarawak, Malaysia

ABSTRACT

The emergence of digital financial services offered by corporates has triggered the relation to sustainability. This chapter review the interconnection between Sustainable Development Goals (SDGs), Environmental, Social, and Governance (ESG) principles and digital financial services. A systematic review of 20 articles from Scopus database derives four themes for the development of digital financial services by integrating sustainable development from the perspectives of current trends and future. The findings reveal the importance of the convergence between digital finance and sustainable/green finance to unveil the potential benefits for the sustainable practices. The chapter provide useful insights for scholars and practitioners regarding the development of digital financial services from the sustainability point of view.

INTRODUCTION

Sustainable Development Goals (SDGs) and Environmental, Social, and Governance (ESG) principles have gained eminence in recent years across various sectors, together with digital financial services. When an industrialized era transits to a sustainable future, two dominant frameworks emerge that have grasped the

DOI: 10.4018/979-8-3693-7160-2.ch007

attention of individuals, businesses and governments are ESG principles and SDGs (Işık et al., 2024). The United Nations' SDGs consist 17 objectives that are used to advance sustainable development while one of the elements affecting the realization of SDGs is ESG (Işık et al., 2024).

Research has been conducted to explore the relation between financial technology (fintech) and sustainability objectives (Arner et al., 2020; Carè et al., 2023) while some studies explore the relationship between fintech and regulatory or ethical standards (Aitken et al., 2020; Anagnostopoulos, 2018; Brownsword, 2019). The comprehensive framework of SDGs enables alignment in goal design as well as method measurement, in which the development of the framework enables different stakeholders to readily understand and act upon (Mio et al., 2020). Corporates possess the ability in innovating, scaling, investing and employing tend to move forward to 17 SDG goals (Tulder, 2018). However, it is still yet totally or successfully promoting the adoption of sustainability policies such as corporate social responsibility (CSR) and ESG in private sector (Van Tulder et al., 2021). For fintech, progressive approach has been used to unveil its full potential in supporting SDGs via the infrastructure development that promote digital financial transformation (Arner et al., 2020).

The fundamental framework that pilot the sustainable development of corporates is ESG principles, in which the principles are integrated to management and decision-making processes (Escrig-Olmedo et al., 2019). The governance dimension serves as a key for sustainable integration as well as a pre-requisite for designing sustainability-oriented strategies (Annesi et al., 2024). On the other hand, when technology progress combines with sustainable finance, the capital is directed to generate positive impacts on environment and society (Galeone et al., 2024). In the same vein, Singh (2022) also has uncovered the combination of green finance and digital finance into green digital finance in enhancing green initiatives via financial system such as fintech. One of the main challenges is the lack of participation of private sector, which international organizations have worked to integrate private sector initiatives as well as investment into mainstream climate finance (Singh, 2022).

In view of the challenges, this review examines current trends and future perspectives of SDGs, ESG principles, and digital financial services nexus. The aims of this review are: (1) to identify the way digital financial services are integrated to SDGs and ESG, and (2) to identify the current trends in the adoption of SDG-aligned practices and ESG frameworks within digital financial services, and how do these initiatives contribute to long-term value creation in the financial sector for sustainable future development.