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Do Institutions Strengthen Financial Sustainability? Enhancing The Joint Effects of Fintech Adoption, And Financial Development In Emerging And Developing Countries



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ABSTRACT:

This paper investigates that financial sustainability has become a critical concern for financial systems, particularly in emerging and developing countries where institutions face challenges related to economic instability, technological barriers, and external shocks. The growth of fintech and financial development have brought new opportunities for adopting better strategies to enhance economic sustainability through more productive, and accessible treatments. But the impact of these improvements very much depends on institutions quality, regulatory quality, effective governance and rule of law. This study examines whether institutional quality mitigates the impact if fintech adoption and financial development countries.

The empirical analysis is conducted by using the panel data estimation techniques for 155 countries that cover the period 2000-2025 in Stata Software, including descriptive statistics, correlation analysis, panel regression estimation and robustness check based on the dynamic estimation approaches. The results show that fintech adoption has a positive impact on financial sustainability, which means digital financial innovation improve the efficiency of financial system, reduce transaction costs and increase access to financial access to financial services. Likewise, financial development also has a positive impact on financial sustainability--- implied that more developed financial systems become relative better at allocating resources, managing risks, and ensuring long run stability. The results also highlighted that institutional quality is a major moderating variable as its strong the positive effect of fintech adoption and financial development on financial sustainability. Countries that have strong governance, good regulation, and strong institutions benefit more from fintech adoption and financial development.

The current research provides cross-country evidence of the joint impact of fintech adoption, and financial development, and institutional quality enhancing financial sustainability, which fills the gaps in current literature.

Keywords: Financial Sustainability, Fintech, Financial Development, Institutional Quality, Inflation.

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