

Situation of Women in the FinTech Community*

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Nadia Edwards-Dashti:

FinTech Women Walk the Talk: Moving the Needle for Workplace Gender Equality in Financial Services and Beyond

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Today's society expects women to be successful managers, mothers and businesswomen in one person. The author, Nadia Edwards-Dashti, may act as a role model for women who want to move up the corporate ladder. She is the co-founder of a leading recruitment business based in London (Harrington Starr), which has helped over 2,000 people find jobs in the FinTech field. The idea of writing the book began with a podcast, in which she talked to 150 women about far-reaching as well as sensitive topics. In her book, she interviewed almost 200 people in managerial positions and with considerable experience at FinTech companies covering a wide range of activities. She focuses on the question of how difficult it is for women to succeed at FinTech companies today. She also explains that the disadvantaged situation may and should be changed. There are several companies where employees are discriminated on the grounds of their gender, religion, ethnicity or culture, which is also reflected by significant pay gaps.

The author analyses environmental factors, sector-specific factors as well as characteristics outside and within the sector. During the talks, important topics emerged, for example – without being exhaustive – why FinTech fails to attract more women than men, what it is like to work in a male-dominated environment, what are the real problems that should be addressed, how we can change these, and whether it is difficult for women to become successful in FinTech professions.

* The papers in this issue contain the views of the authors which are not necessarily the same as the official views of the Magyar Nemzeti Bank.

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The background of FinTech and the (lack of) presence of women

Mrs Edwards-Dashti believes that financial institutions and institutional systems in the traditional sense have completely changed. Digitalisation of the financial sector began in the 1950s, with the introduction of credit cards, and then mainframe computers, which record financial transactions, came. In the past fifty years, technology has been continuously developing, helping this sector (as well). *In the 1980s, FinTech meant all the technologies of financial services; today, however, we use the term to describe automated financial companies.* These are the companies which were able to benefit and even profit from the crisis of 2008, since they could explore everything that was not functioning or malfunctioning in the traditional financial sector, and by employing new technology, the operation of the system has been made easier, cheaper, faster, better, safer and more acceptable, even in cross-border transactions. These developments have primarily supported users. The attitude of digital nomads has also changed in recent years: a lot of them use new, innovative solutions. Investments in FinTech amounted to USD 4 billion in 2013 and USD 137 billion in 2019, which is a significant increase in only five years. The forecast for 2022 was USD 309 billion, which has not been realised because of the pandemic, but the market has reacted well even to this situation.

In this enormous FinTech industry, only 17 per cent of managerial positions in the United Kingdom are filled by women, despite the fact that a survey conducted by KPMG in 2019 reveals that FinTech companies led by women perform better by 113 per cent than the ones led by men. Adequate leadership and the implementation of strategy are essential for investments to avoid failure. *Of the global Fintech Founder community, women account for only 7 per cent.* In 2010, FinTech companies with female-only founding teams and the ones with at least one woman on their founding team accounted for less than 11 per cent of total start-ups, and their share had scarcely grown by only 1.3 per cent in 2019. These figures are surprisingly low.

The author also recalls that after she started her recruiting career in 2005, hiring experts in the FinTech sector was mostly about hiring specifically “culturally similar” people so that they should “fit in” at enterprises led by men, i.e. diversity as such was not promoted at all.

FinTech is a continuously developing, innovative industry, putting its consumers first and responding flexibly to their needs. Therefore, the workforce of companies should be increasingly diverse to promote this kind of change. In financial institutions, achieving digital transformation is easier than creating an innovative culture, since the process does not stop at automating transactions. Creating a whole new, innovative culture, where challenges generate development, is the key. The situation that evolved during the pandemic was a very good example of that.

Reality in the FinTech market

According to the book, the key to success in this industry is communication, creativity and resilience, and therefore diversity is crucial. The best example of that is the start-up ecosystem, since all companies want to enter the market with various missions and visions, find their consumers and meet their needs in the best possible ways. This culture enables its employees to learn from each other and develop, in addition to networking. However, negative examples also exist: corporate communities where women are in the minority and where it is hard to get in. Uber was like that, where machismo was strong within the company, discriminating women (its Chief Executive Officer later had to exit the business). It was surprising to read about Google, where female employees were discriminated in the technology area, or Amazon, where such Artificial Intelligence-led technology was used which selected based on demographic data and ignored women's resumé (it is no longer used).

Since 2010, the large companies of the United Kingdom (250+ employees) have had to disclose data on their gender distribution and exact salaries within the company. As a result, the current situation can be observed more transparently and objectively. In 2019, the pay gap was still significant, at 17.3 per cent. The pay gap, however, is not so simple. When determining pay, opportunities of work from home, corporate daycare and flexitime are considered. Working mothers have to face an unconscious bias in their workplace with regard to their competence, dedication and aspirations. In the banking sector, a higher share of lower-paid jobs is filled by women, and their share in higher-paid positions is lower. They are less frequently promoted and their forward-looking ideas are not really considered or awarded. That is exactly why the phenomenon of the so-called "confidence gap" exists among them, which means that they have less confidence in themselves, they tend to doubt their competence and are more reluctant to ask for a pay raise. Now, countless companies have recognised these deficiencies and are changing them. The FinTech sector also has considerable potential to eliminate these shortcomings.

The quota system, enabling companies to decide the share of female and male employees, may be a good starting point but is not enough in itself. In the long run, managers willing to change and an entrepreneurial attitude making this change sustainable are required. Interestingly, several outdated recruitment practices have been shut down at companies where FinTech is seen as adaptable, changing and agile.

Fintech companies should invest in as many soft skills as hard ones for success. Several high-ranking women do not have an IT-related degree. In the world of ever-changing technology, the attitude, talent and potential of employees are often much more significant. The author emphasised that as a recruiter she had seen so

many career paths, and knowledge is obviously important, but in today's world the potential, innovation and diversity inherent in employees should be appreciated. In this sector, an open mind is vital as it does not restrict the employees only to technological developments. There is a need for people who are interested in the ideas of others, beyond their own experience.

Disagreements make us stronger, different viewpoints make us better, and encouraging these viewpoints is of key importance for a successful business. FinTech, as the number one representative of innovation, is like that. However, if only people from technology sectors are hired, the issue of gender imbalance and the ensuing shortcomings will become permanent. Change is crucial in this sector, in both attitude and the environment.

How can a positive change be achieved?

The problem we still face is that women are underrepresented, despite the steps forward that many businesses have taken, including addressing gendered language in their adverts and the introduction of quota systems. The author mentions repeatedly that change will not take place by itself, and we should be proactive to make it happen.

It is important to inform young people about their opportunities. This market is perfectly suitable for the inclusion and education of the next generation. In the area of FinTech, talent is a long-term investment. It is not only about financial performance, but also the introduction of adequate guidelines and processes to support employees.

Numerous FinTech companies are aware of a fundamental factor: inspiring and motivating their employees is profitable for them as well, because commitment is the key to productivity. Another solution may be if the financial market and the FinTech industry applied for subsidised childcare support for parents to encourage them to return to work earlier. But work-life balance should also be considered, and managers at companies have to set examples to drive change. Internal biases must be eliminated and the diversity of all must be appreciated, enhancing cohesion and promoting free information flows within teams.

But what else can be done in addition to recognising the problem, eliminating biases, creating a safe working environment and providing managerial support? These will not solve the problem. The solution might be to reach out to universities, to hire more women from other industries, to re-train and retain them in the long run, i.e. we need to open our minds to identify their inherent potential. Change is possible if it is initiated by high-ranking leaders, whose willingness is also clearly demonstrated. After rebuilding the corporate culture, the presence of women

must be showcased. It does not necessarily mean employing more women and deciding on the basis of the quota system; it has to be ensured they are also listened to. It is corporate culture that has a direct impact on performance and improves competitiveness. This is equally the responsibility of women and men.

Determining external factors

In recent years, there have been significant internal factors as well as external ones, affecting the FinTech market. The author primarily mentions the Covid-19 pandemic and the fact that in the United Kingdom proportionally more women lost their job than men. Those who lost their jobs had less opportunities to use government support, and thus help came from private individuals. In addition, progress in this sector has been also facilitated by an open mindset over the past two years. Nevertheless, the FinTech market was the best at surviving the current crisis as companies had both the capital and the technology for developing. This sector has been the most successful at adapting to changes. In addition, it has provided the safest source of livelihood and the opportunity for working from home for women.

Mrs Edwards-Dashti concludes that in the technology sector gender imbalance is a well-known problem; however, it is not a problem people know how to solve. The truth is that there is a huge demand for talent in the financial services and the FinTech markets. As the sector gains more traction and customer bases continue to grow, businesses also need to become more attractive in their working environments. It is up to us to make the change and shape the next generation.